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Police Raid Union in S. Africa

Black Federation Is Blamed for 4 Workers' Deaths

By William Claiborne
Washington Post Service

JOHANNESBURG — The police raided the headquarters of South Africa's largest black labor federation Wednesday after the discovery of the burned and mutilated bodies of four strike-breaking railway workers. Authorities said the four had been tortured at the central Johannesburg union complex.

Before the raid on the Congress of South African Trade Unions, known as COSATU, a large security force with police dogs and whips surrounded the headquarters of the 600,000-member federation.

The federation said in a statement that government moves against it were "part of a campaign to destroy the progressive trade union movement and to replace it with passive and undemocratic trade unionism."

Meanwhile, the federation and the United Democratic Front, the major coalition of anti-apartheid groups, declared May 5-6 as work stoppage days in opposition to the whites-only parliamentary election Wednesday.

A police spokesman said that if workers were intimidated or prevented from going to their jobs, the police would take action.

In Cape Town, hundreds of students stayed away from classes Wednesday after police used whips Tuesday to disperse student protesters. Twenty-five students were arrested Tuesday in the second day of violence at the predominantly white University of Cape Town.

More than a million black workers and hundreds of thousands of black students were expected to join the planned boycott, according to the New Nation, a militant weekly newspaper.

The police raid on the union federation followed a formal undertaking by police Tuesday in a provincial court not to unlawfully assault, harass or intimidate members of the Congress of South African Trade Unions at their headquarters.

The pledge was given by a divisional commissioner of police after the federation sought a Supreme Court order restraining the police from attacking union members at the headquarters.

The federation had charged that

See RAID, Page 2

Kiosk

Pakistani Jet Is Shot Down

ISLAMABAD, Pakistan (Reuters) — A Pakistan Air Force jet was shot down Wednesday while chasing Afghan aircraft near the northwest border, the Associated Press of Pakistan reported.

The news agency said the plane was hit by a missile while chasing a formation of intruding Afghan aircraft near Miranshah in the North Waziristan tribal area. The plane crashed near the Pakistani-Afghan border. The pilot ejected and was taken back to base, the agency said.

Lagos Campus Closed

LAGOS (AP) — The Nigerian police have blocked entrances to the University of Lagos campus and administrators closed the school after student demonstrations in which three students were critically injured, Lagos radio reported.

To Our Readers

Because of the May 1 holiday, there will be no Friday issue of the IHT. Publication resumes Saturday.

Itsuo Inouye/The Associated Press

Hirohito Marks 86th Birthday

More than 40,000 people jammed the imperial palace in Tokyo on Wednesday to cheer Emperor Hirohito, above, on his 86th birthday. Hirohito, the world's longest-reigning monarch, made three brief appearances before well-wishers, who greeted him with shouts of "banzai," or "long life."

U.S. House Adopts Plan to Cut Trade Imbalance

By Stuart Auerbach
Washington Post Service

WASHINGTON — The House of Representatives narrowly adopted tough trade language Wednesday that would force President Ronald Reagan to retaliate against leading trading partners, including Japan, Korea, West Germany, Taiwan, Italy and Brazil.

The amendment, sponsored by Representative Richard A. Gephardt, Democrat of Missouri, was approved by the House by a 218-214 roll call vote.

The vote occurred as Prime Minister Yasuhiro Nakasone of Japan was en route to the United States to try to calm the anger in Washington against Japan and its trade policies. He was scheduled to meet Mr. Reagan on Thursday.

Mr. Reagan campaigned against the Gephardt proposal, and House Republicans asserted that its passage would trigger a certain veto.

The victory on the House floor gives Mr. Gephardt's presidential bid a major boost, especially in early primary and caucus states. The heavy newspaper and television coverage leading up to the vote has enhanced his name recognition and elevated him above the rest of the pack of lesser-known Democratic contenders.

Just before the vote, Mr. Gephardt said his amendment was needed to stem a decline in U.S. competitiveness. He said that business leaders and labor officials told him it does not pay to try to sell overseas because markets there are closed to U.S. products.

He insisted that the United States has to begin to act tough on trade to open up these markets. "We have asked for change but gotten it simply because we are not credible," he said. "We are not demanding change."

"What we do is more important than what we say," he added, "and that is what this amendment is all about."

Mr. Gephardt's proposal would force cuts of 10 percent a year in the trade surpluses of some of the

See TRADE, Page 2

NEWS ANALYSIS

U.S. Treasury Secretary's Policies Meet Growing Skepticism

By Peter T. Kilborn
New York Times Service

WASHINGTON — The once-celebrated policies of Treasury Secretary James A. Baker 3d are eliciting growing skepticism as world economic growth persistently slows down.

Until a couple of months ago, Mr. Baker could point to some noteworthy achievements. But now, evidence of deterioration is showing up everywhere — in the still-sinking dollar, rising interest rates, growing inflation, a slowing of the world economy.

Mr. Baker is also losing influence in a get-tough Democratic Congress and even in the policy-making councils within the administration. Increasingly, he is seen as a man who has played out his string and has nothing new to offer.

"The bloom is off the bud," said Lawrence A. Kudlow, a former senior economist with the Reagan administration and now chief economist at Bear, Stearns & Co. in New York. "His currency plan and his debt plan are crumbling now. His credibility in the financial markets has fallen considerably."

In the fall of 1985, Mr. Baker, the policy maker for a free-trade, free-market administration, faced compelling signs that the world economy was weakening and might soon undermine that of the United States.

He — or President Ronald Reagan — rejected the solution of sharp reductions in the federal budget deficits and made two other choices instead.

He would beat back the calls in Congress for tough restraints against imports by driving down the value of the dollar. And he would defuse the crises over the debt of developing countries by policies that encouraged their economic growth.

In the view of Mr. Baker and others, the Treasury was at least willing to tackle the problems and kept things from getting worse.

"These are all very difficult issues," Mr. Baker said Tuesday. "I'd like to ask you where you think we'd be if we had been unwilling to address them."

Mr. Baker can cite as evidence of his success the sharp decline in inflation, some containment of the debt problem and the pain that the fallen dollar has inflicted on Japan. But a stubbornly high American trade deficit implies failure as well.

World leaders, international economists and congressional leaders had expected more substantial gains. Two problems, they say, un-

See BAKER, Page 2

James A. Parcell/The Washington Post

Treasury Secretary James A. Baker 3d.

How High the Yen, How Low the Dollar: Reagan Advisers Split

By Leonard Silk
New York Times Service

NEW YORK — As Prime Minister Yasuhiro Nakasone of Japan arrives in Washington for his talks with President Ronald Reagan, there are uncertainties and divisions within the American camp on the matter of greatest immediate concern to the Japanese: the yen-dollar exchange rate.

There are questions about whether the United States means to help stabilize the dollar or let market forces carry it further down as a means of reducing the trade deficit.

As a result of those uncertainties, the foreign exchange market and the bond and stock markets have been frantic, plunging one day and rallying the next.

The fundamental split in the Reagan administration's position is this: The president's monetarist advisers, led by Allen Wallis, undersecretary of state for economic affairs, believe that the United States should not try to prop up the dollar. They hold that market forces are in the process of restoring greater balance to Japanese-American trade.

But his pragmatic and eclectic advisers, led by Secretary of the Treasury James A. Baker 3d and Paul A. Volcker, the Federal Reserve chairman, hold that the dollar has fallen enough — or more than enough.

They contend that a further decline will upset the currency and security markets, endanger necessary capital inflows, generate inflationary expectations, drive up interest rates and hurt growth in both Japan and the United States.

Mr. Wallis was asked Thursday whether President Ronald Reagan would assure Mr. Nakasone of further American measures to support the dollar at about its present level. He said that Mr. Baker had the responsibility for dealing with the exchange-rate issue, but would not be involved in the Reagan-Nakasone talks, since he would be in Australia.

In any case, Mr. Wallis added, the exchange rate between the dollar and the yen was "not the kind of issue" he would expect the president and the prime minister to handle.

But the dollar plunged against the yen late last week to its lowest level in the postwar period, setting off fears in the securities markets, and Mr. Baker canceled his trip to Australia.

Why? A Treasury spokesman said Tuesday that the White House had originally asked Mr. Baker to make the Australian journey for "diplomatic reasons" but had now asked him to cancel the visit to help deal with what the president regarded as a protectionist trade bill in Congress.

At the end of last week, Mr.

See YEN, Page 2

U.S. Gets First Conviction for Iran Arms Sales

United Press International

WASHINGTON — A conservative fund-raiser, Carl Channell, pleaded guilty Wednesday to a criminal conspiracy charge and named Lieutenant Colonel Oliver L. North as a co-conspirator in a case linked to the Iran-contra affair.

The charge against Mr. Channell was the first brought by the special prosecutor, Lawrence E. Walsh. It was filed a few hours before the guilty plea by Mr. Channell, 41, who heads at least nine nonprofit and political action groups.

Mr. Channell, appearing before U.S. District Judge Stanley Harris, pleaded guilty to one count of conspiracy to defraud the U.S. government. He faces up to five years in prison and a $250,000 fine.

He named as co-conspirators Colonel North, the aide dismissed from the National Security Council for his role in the U.S. arms sales to Iran and diversion of profits to the Nicarguan rebels, and Richard Miller, a Channell associate who ran his own public relations company, International Business Communications.

The company has been linked to the aid network for the rebels, known as contras.

Through the organizations that he heads, Mr. Channell collected about $10 million in 1985 and 1986 and used much of the money to win support for the Strategic Defense Initiative, for conservative congressional candidates, and for sending military aid to the contras.

Judge Harris said that there "has been a plea agreement in this case" and reviewed an agreement signed April 28 between Mr. Channell and Mr. Walsh, who was named by a court panel to investigate the affair.

Included in the agreement, a Walsh attorney said, was the written guarantee of cooperation from three other unidentified employees of Mr. Channell's organization.

The case marked Mr. Walsh's first criminal indictment and his first conviction in the affair that has shaken the Reagan administration since it became public in November.

Judge Harris found Mr. Channell guilty of a single conspiracy charge but withheld sentencing at the request of Mr. Walsh's attorneys until after Mr. Channell completes his cooperation in the investigation.

With Mr. Channell standing before the bench, Judge Harris asked him who else took part in his conspiracy to defraud the government by falsely claiming tax-exempt status for his contra fund-raising.

Mr. Channell replied: "Colonel North of the National Security Council, and Mr. Richard Miller, president of a public relations firm."

Mr. Channell, who assured Judge Harris repeatedly that he understood the plea agreement and wished to plead guilty, was released on his own recognizance.

A Walsh associate also revealed that Mr. Channell, and his organization had "encouraged contributors to take improper charitable deductions on their federal income tax returns."

Details of the plea agreement were not made public.

Mr. Walsh, in a felony information filed in U.S. District Court, charged that Mr. Channell conspired to defraud the Internal Revenue Service and the U.S. Treasury by falsely filing for tax-exempt status for his conservative fund-raising group, the National Endowment for the Preservation of Liberty.

The charge itemized more than $2 million in contributions raised for "military and other types of nonhumanitarian aid for the contras."

Such aid is not deductible under federal regulations.

President Ronald Reagan and Vice President George Bush have praised Mr. Channell's fund-raising activities. On several occasions, Mr. Reagan met with Mr. Channell's top contributors at White House gatherings.

The move by Mr. Walsh against Mr. Channell came a day after he issued his first interim report on his investigation of the affair and prompted congressional leaders to say they have no plans to grant legal immunity to any other major figures in the affair.

Waldheim Assails Meese For Banning

The Associated Press

VIENNA — President Kurt Waldheim, his voice quavering, criticized Attorney General Edwin Meese 3d on Wednesday for barring him from the United States.

In a speech in Eisenstadt, south of Vienna, Mr. Waldheim departed from prepared remarks to express his hurt at the decision and to assail Mr. Meese for placing him on a "watch list" of undesirable aliens.

"We didn't say he was guilty, we just voiced a suspicion," he said, in an apparent mocking imitation of Mr. Meese.

"What use are the statements of Mr. Meese that 'it's just a suspicion on the basis of which he was put on the so-called watch list,'" Mr. Waldheim said, his voice shaking with emotion.

The U.S. Justice Department said evidence showed Mr. Waldheim aided in the deportation and execution of thousands of Jews and partisans while a lieutenant in the German Army in the Balkans.

■ **Waldheim's Own Data**

Earlier, Leslie Maitland Werner of The New York Times reported from Washington:

The Justice Department's yearlong deliberations over whether to approve a recommendation that Mr. Waldheim be barred from the United States was largely spent investigating information that he submitted to rebut charges against him, according to department officials.

They said Tuesday that the Reagan administration wanted to allow Mr. Waldheim, the former UN secretary-general, a full opportunity to present his case, which he did through several detailed memorandums with supporting documents and affidavits.

The decision to bar him, announced Monday, did not depend on any particular new information uncovered in the last year since the department's Office of Special Investigations first proposed the action against him, officials said.

Rather, they said, as the department delved into the information submitted by Mr. Waldheim, it gained a fuller understanding of his wartime role.

"The more we dug, the stronger the case got," an official said.

He added that the State Department now had sufficient data on Mr. Waldheim's involvement in Nazi persecutions that if he had been a naturalized American citizen the department would have sought his deportation.

In addition, the official said, the department believed it would be successful in meeting the higher standard of proof required for deportation.

Under the 1978 law invoked Monday to exclude Mr. Waldheim from entering this country, however, the department only needed to show there was reason to believe he acted under Nazi direction and took part in persecutions based on race, religion, national origin or political opinion, the official noted.

Officially, Mr. Waldheim's name will now go on an Immigration and Naturalization Service "watch list" that is used to exclude people seeking to enter the country. There are

See WALDHEIM, Page 2

In London, an Economy Outside the Tax Rolls

By Warren Getler
International Herald Tribune

LONDON — They will be in Euston Station again Friday, waiting for the 5:55 P.M. express train to Liverpool — about 40 young, brawny men, each carrying a single piece of luggage.

Officially they are unemployed workers from Liverpool, the manufacturing city in northwest Britain, where unemployment remains above 20 percent. Unofficially, they are skilled construction workers heading home after a profitable week in London's underground economy. None of the money they earn is reported to the tax authorities.

The men are part of a growing tide of workers in the "black" construction trade. They arrive from such depressed northern cities as Liverpool, Manchester and Leeds.

A visitor to five sites under construction or renovation in Islington — a North London neighborhood that is rapidly being gentrified — found many workers from Liverpool, Manchester and Northern Ireland, with only a few from London itself.

Although most contract work in the capital's booming construction industry is controlled by employers who pay unskilled workers the legal minimum of £76 (about $125) — skilled workers earn much more — a week net and report this to the tax

See COMMUTE, Page 2

Wallowing in Gooey Food, or the New American Wrestling

By Lindsey Gruson
New York Times Service

JERSEY SHORE, Pennsylvania — After months of expectation, the magic moment arrived. Over the roar of about 1,200 pumped-up fans in the high school gymnasium here, the announcer introduced "Sunshine and her manager, the Angel of Death."

"The prom isn't anything compared to this," said Sunshine, who on other days is called Adrienne Smeltzer, a junior at the high school. Clad in a pink and black swimsuit and cheered on by most of her family, she climbed into the ring and began wrestling with her best friend, Elisa Steinbacher, known also as Cornfed Rita, in 1,200 pounds (about 545 kilograms) of lime Jell-O.

Jell-O was soon flying out of the ring. Two minutes later Sunshine and her opponent lay exhausted, covered from head to foot in melting gelatin. It stuck in their hair, in their nostrils and in between their toes. Officially their bout was a draw. But the delighted crowd, who gathered in Jersey Shore for the Second Annual Jell-O and Chocolate Pudding Wrestling Match, gave the decision to Sunshine.

In rural areas across much of the United States, watching people wallow in gooey foods has become a popular pastime. It is much like mud wrestling, which was once a staple at seamy bars but is now considered good clean family fun. Participants volunteer their services and the matches regularly sell out and have become feature attractions at county fairs.

They are fast supplanting car washes and bake sales as the most popular way for schools to raise money for marching bands, football uniforms and class trips.

"There are not many places you can take the family without seeing sex and violence," said Bruce Rosenbaum of Numidia, Pennsylvania, the undisputed king of this budding form of entertainment.

Still, the growing popularity of such exhibitions has brought some criticism, especially when women are involved. Last summer the University of Pittsburgh rejected the Phi Gamma Delta fraternity's plan to sponsor a wrestling match between two women, saying the event would violate a recent prohibition of anything "sexually exploitive" at fraternity initiation functions.

At a fair two years ago in Allentown, Pennsylvania, Mr. Rosenbaum put on what he said was the world's first mashed-sweet-potato match. It was a huge success.

"That's quite an attraction," he said. "When you go down, you come up looking like a big orange monster." He's also proud of being the first promoter to use creamed spinach, spaghetti and oatmeal.

For the moment, the tournament in Jersey Shore, which is nowhere near New Jersey but is on the shore of Larry's Creek in the rural north-central part of Pennsylvania, is his crowning achievement: the first two-course wrestling tournament. The first four bouts were in Jell-O. For the seven other bouts, his eight-person staff added Lucky Leaf Chocolate Pudding, forming a deep brown pool of muck that stuck to the grapplers like mud.

"That's definitely better than Jell-O, much better," said Frank H. Baier, better known as Jamaica Jack, manager of the tag team King Kong and Mad Mike.

But Mr. Rosenbaum has even more ambitious ideas. He is looking forward to August, when he plans to stage the first peanut butter match at the Allentown Fair. He is seeking credibility by trying to bait Mayor Edward I. Koch of New York into a series with Mayor W. Wilson Goode of Philadelphia in a benefit for the homeless. He is also preparing to open branch offices in Florida, California and New York.

In Sudan, Talk of the South's Secession Is No Longer Taboo

By Jonathan C. Randal

Washington Post Service

KHARTOUM, Sudan — Discouraged by spreading anarchy and new reports of atrocities in a seemingly unwinnable four-year civil war, Sudanese for the first time are considering letting the animist and Christian south secede from the Arabized north.

The Sudanese press, among the freest in sub-Saharan Africa, has discussed the possibility without provoking the charges of treason that would have met such suggestions at any earlier time since Sudan became independent in 1956.

Sudan's leader, General Abdul Rahman Swareddahab, who returned Sudan to democratic rule last year after the removal of President Gaafar Nimeiri in 1985, also discussed the issue on television recently.

"The very fact that the subject is no longer taboo or even shocking is the biggest surprise," an official said privately. "Now it's part of the political agenda along with maintaining Sudanese unity or establishing a federal system."

Such a changed approach reflects the absence of realistic peace prospects for Africa's largest country and the growing lawlessness in the south, where the Sudan People's Liberation Movement is fighting not for secession, but to change the nature of power in Khartoum.

In the latest major atrocity, in late March, hundreds of southern Dinkas — perhaps as many as 1,500 — were slain at the rail center of Ed Daein in Southern Darfur Province, where 6,000 had sought refuge from the fighting to the south, according to diplomats.

Witnesses charged that police and militiamen of the Arabized Rizegat tribe herded the Dinka civilians together and opened fire, apparently in retaliation for a defeat inflicted by the rebels' predominantly Dinka Sudan People's Liberation Army. The army is the military wing of the Sudan People's Liberation Movement.

Other Dinkas died when survivors summoned by police to the railway station boarded four cars that then were set ablaze, the witnesses said.

The massacre was the latest example of the devastation allegedly wrought in the past three years by militias armed by the government and by bandits taking advantage of the breakdown of law and order.

Some fear it could signal the spread of destabilization as Arabized nomads forced south by the destruction of grazing lands in the 1984-85 drought clash with Dinkas fleeing north to escape the war.

Diplomats, relief workers and Sudanese officials expressed concern that anarchy had become so widespread in the south that, one specialist said, it had reached the "brink of being so out of control that even formal peace would not stop the bloodletting."

Oddly, Libya and the United States for once find themselves on the same side, with the Libyan leader, Colonel Moammar Gadhafi, supplying jet aircraft and Washington providing armored cars to the Sudanese Army.

Ethiopia has aided Colonel John Garang, the American-educated rebel leader, since the war began in 1983. Kenya and Uganda increasingly have provided logistical aid.

Recent visitors to Colonel Garang's headquarters at Boma in the southeast reported seeing crates of weapons supplied by Israel. Israel aided an earlier generation of southern rebels during the 1955-72 civil war as part of a policy to destabilize Arab governments.

Increasingly, the Sudan People's Liberation Army is fighting not so much the Sudanese Army as government-armed surrogates such as the Anyanya-2 militia recruited among the Neur tribe, the Fertit tribe in western Bahr el Ghazal Province, the Mundari near Juba, and the Meurli along the Ethiopian border.

Recently, the potential for disorder has spread from the south to Darfur with the introduction of modern arms smuggled in from neighboring Chad.

Departing Libyan troops last month distributed at least 1,500 automatic rifles in Darfur before withdrawing toward Libya, according to diplomats.

Despite such problems, the 55,000-man Sudanese Army has achieved its best dry-season results since the fighting began in 1983.

Soldiers have inflicted heavy casualties on Colonel Garang's best troops and have destroyed rebel camps along the Ethiopian border.

COMMUTE: *London's Economy*

(Continued from Page 1)

authorities, some subcontractors specialize in the black economy.

"If the workers are not paying taxes, it usually means they are willing to accept lower wages," said Jon Shields, director of the independent Employment Institute in London. "That makes hiring them attractive to certain employers who don't want to pay out higher wages and national health insurance."

He discounted the possibility of welfare fraud. "There is very little evidence to suggest that these workers in the construction market are also receiving welfare payments," Mr. Shields continued. "Their offense is evading tax, rather than fiddling with the dole."

Mr. Shields said that if the men were getting unemployment benefits, the amount — depending on family size — would average £70 to £80 a week. That is roughly a third of what most of the Liverpool commuters earn in London, he said.

So, early every Monday, the men make the 220-mile (360-kilometer), three-hour train ride to London. And then, every Friday, they take the 5:55 back to Liverpool to spend the weekend with their families.

There are no precise numbers, but those Liverpudlians who were willing to talk at Euston Station estimated that several hundred men commuted weekly from Liverpool to London. Including those who stay "south" during the weekends, they said, the number of Liverpudlians working illegally in the London construction market is in the thousands.

A typical commuter was Mark, 21, who has been a regular on the Liverpool-London circuit for two years. He asked that his last name not be used. As he waited for the train, a level, a tool used in bricklaying, jutted from his traveling bag.

"I've been doing this for two years because I can't find work back up north that will cover the £150-a-month payment for my flat," he said. "I'm working as a bricklayer for a small firm down here, refurbishing flats and bringing in about £45 a day. In Liverpool, I'd be really lucky to find a construction job, but if I did, I'd make less than £25 a day."

Although it has fallen for eight consecutive months, unemployment in Britain in March stood at 3.04 million, or 11 percent of the work force. In Liverpool, unemployment last month was 23 percent or 54,000 people; in Leeds it was 13 percent or 32,000 people, and in Manchester 19.5 percent or 38,000.

On Sunday, a mass demonstration supported by Britain's opposition parties and by its major trade unions is planned to underline the problem. The organizers of "Hands Across Britain" say they expect 500,000 people to link arms at 3 P.M. to form a human chain from Liverpool to London.

Another answer has been found by the men at Euston Station. Mark said that eight of his "mates" from Liverpool worked on his shift and that all were paid under the table. He said he spent £17 a week for the round-trip Liverpool-London fare, saving £9 each week by buying a 12-month British Rail discount card.

He said they spend their nights on the work site if the house has central heating. If not, they stay in cheap bed-and-breakfast hostels where they get group rates.

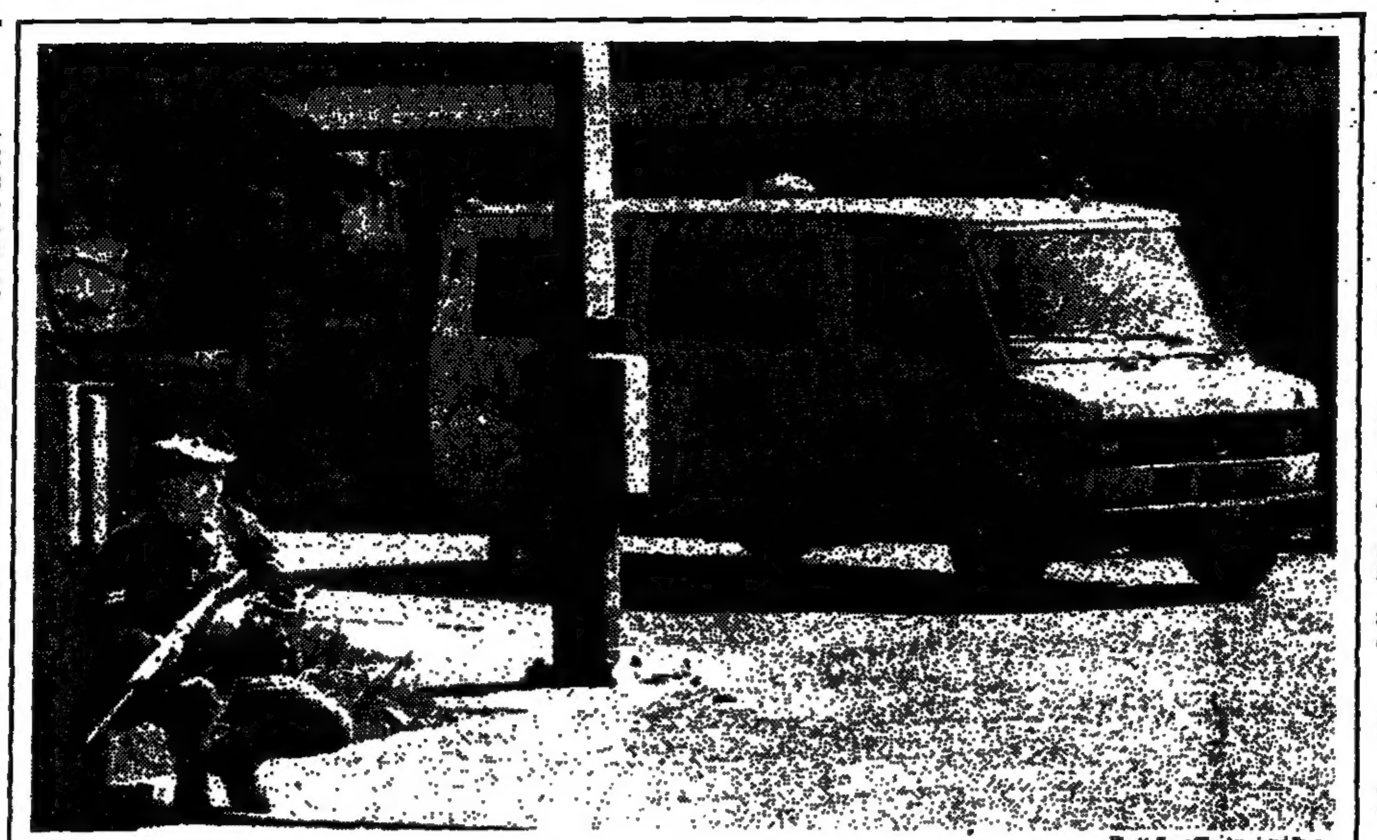
"I've got two kids back home, that's why I'm down here," said Colin, 24. He gestured at himself and Fred, also 24 and also from Liverpool. "We're both clearing £250 a week as plasterers. There aren't any jobs now in Liverpool, and the ones you find there bring only £60 to £80. We squat in flats at night — every six months we get a bit of a hassle, but can easily move on to the next squat."

What about moving to London? "Forget it," he said.

Any attempt to move their families south has been made prohibitively expensive by a rapid rise in housing prices in London and outlying areas, averaging 25 percent annually over the last two years.

The commuters shrugged off the possibility of being caught doing illegal work. "A friend of mine was caught by the tax people," Mark said, "for not having paid taxes on £1,000 that he earned doing renovation work down here.

"All he had to do was spend 28 days in jail. So if I do get caught, I have my bills written off by the government for a month and I only lose four weeks' work."



The Hoffman/The Associated Press

HESS LEAVES HOSPITAL — An ambulance transporting Rudolf Hess, Hitler's deputy, left the British Military Hospital in West Berlin, returning Mr. Hess to Spandau Prison on Wednesday. Mr. Hess, who just turned 93, was taken to the hospital on Tuesday night. He was hospitalized for more than two weeks in March.

BAKER: *Policies Elicit Skepticism as World Economic Growth Slows*

(Continued from Page 1)

dermine Mr. Baker's policies and illuminate their limitations.

The biggest problem has been making sharp and continuous reductions in the federal budget deficits — by persuading Mr. Reagan to abandon his opposition to tax increases, by persuading Congress to cut spending, or some of both, as the new leadership of Congress is urging. The other is the West German and Japanese refusal to make similarly difficult policy reversals: tolerating higher budget deficits and greater inflation to stimulate their economies.

The flagging promises of Mr. Baker's policies all seem to be cascading upon his desk this week, one that he planned to spend on a ceremonial visit to Australia until the White House and the State Department asked him to stay put.

For new policy options, all he appears to have left are the ones that had been rejected — draconian reductions in the U.S. budget deficits, which would require tax increases and spending cuts, and equally wrenching budget-stimulus policies in Japan and West Germany. But in the newly reorganized White House, it is unclear whether Mr. Reagan president might be finally brought around.

Prime Minister Yasuhiro Nakasone of Japan was to arrive in Washington on Wednesday to appeal to Mr. Reagan to abandon the $300 million in trade sanctions he imposed on that country. Mr. Baker opposed the sanctions but they became politically inescapable because Japan rebuffed his appeals to speed up its economy and buy more American and other foreign goods.

The House of Representatives is hurtling toward passage of tough, partly anti-Japanese trade legislation and the Senate is starting work on a stringent bill of its own. The whole objective of Mr. Baker's cheap-dollar policy, he said in starting it in September 1985, was to discourage such "protectionist" legislation.

Meanwhile, the dollar has slipped below 140 yen from 160 at the end of last year, and below 1.8 German Deutsche marks from 1.95. Midway through this latest decline, Mr. Baker began calling a halt and joining with other countries in threatening to punish the markets if they pushed the dollar down more. But the markets did anyway. In doing so, the markets provoked fears of inflation and put pressure on the U.S. Federal Reserve to push up interest rates.

The world economy seems to be defying the Baker goals in nearly every respect. World growth, according to the International Monetary Fund, slid to 2.9 percent last year from 3.1 percent in 1985, and is projected to go to 2.7 percent this year.

A new internal study by the Organization for Economic Cooperation and Development in Paris finds that the current policies of the industrial nations and those coming on stream will do little to revive the economy or to improve the big American trade deficits or reduce the West German and Japanese trade surpluses.

Western banks have cut their lending to developing countries, not raised it, as Mr. Baker urged in inaugurating the "Baker plan" in October 1985. Now interest rates, driven up by the falling dollar, are pushing up the countries' costs of making payments on their loans, while Brazil, the biggest debtor, has witnessed the resignation of another finance minister while talks with its banks have broken down.

Through a self-help exercise with other leading industrial countries that the Treasury secretary conceived and calls "international economic policy coordination," Mr. Baker seeks "convergence" of countries' economic performances toward faster growth and low inflation. He has obtained convergence, but convergence toward slower growth and higher inflation.

Mr. Baker's coordination policy requires further reductions of U.S. budget deficits but offsetting policy changes in Japan and West Germany. And both have been as reluctant to make those changes as Mr. Reagan has been to raise taxes. "We cannot change the principles of our policy," said Martin Bangemann, West Germany's minister of economics, in a speech Tuesday in Washington. "If you are asking us to pursue an inflationary policy, that we won't do."

Mr. Baker took over the Treasury in February 1985 from Donald T. Regan, who took Mr. Baker's job as chief of staff at the White House. Within weeks, he had established an entirely new tone from Mr. Regan's. During the Regan tenure Germans characterized the former secretary as saying of the then-high dollar, "It's our currency and your problem," and attempts to deal with debtor countries' problems were left to bank-dictated austerity programs.

Within the administration, Mr. Baker captured near absolute control of economic issues through the creation of the White House Economic Policy Council, and he has won widespread praise for the overhaul of the tax system that he engineered for Mr. Reagan last year.

Mr. Baker's place within the administration seems to remain pretty solid. Aides say his rapport with the president has never been easier, and it can only be helpful that a close associate when Mr. Baker was the president's chief of staff, Kenneth Duberstein, is now deputy chief of staff. Other top White House officials, including the chief of staff, Howard H. Baker Jr., suit the Treasury secretary's pragmatic inclinations.

Further, the White House has been quick to defend Mr. Baker against some of the periodic assaults on his turf, such as when the president's special trade representative, Clayton K. Yeutter, "left the reservation," as the White House puts it, in seeming to talk the dollar down.

But lately some issues seem to have been slipping from Mr. Baker's control. He initially opposed the trade sanctions against Japan, but Mr. Yeutter and Commerce Secretary Malcolm Baldrige won the president's support. He lost another round with Mr. Baldrige, who induced a Japanese company, Fujitsu Ltd., to abandon its takeover of a French-owned American company, Fairchild Semiconductor Corp., even though the Treasury favored it.

On trade, said a senior official who works often with Mr. Baker, "there's been a fragmentation and loss of control over all of the parties because of this huge politicization of that process." And a White House official says, "I sense that there's going to be a shift away from the Economic Policy Council. The question is going to be whether the decisions that come out of the council remain absolute and intractable."

WALDHEIM: *He Assails Meese*

(Continued from Page 1)

about 40,000 people on the list, including criminals, Communists and those with contagious diseases.

Were Mr. Waldheim to try to visit this country he would be subject to an exclusionary hearing at which he would have to prove he is eligible for entry, the official explained. Mr. Waldheim is the first foreign head of state to be barred under the law.

Mr. Waldheim, speaking Tuesday night on Austrian television, described as "dismaying and incomprehensible" the U.S. decision. He said he had a "clear conscience" about his wartime activities.

The Austrian government, closing ranks around Mr. Waldheim, also said it was "dismayed" by the decision.

The initial recommendation that Mr. Waldheim be banned was made in April 1986 by the Office of Special Investigations, which is responsible for tracking down and deporting war criminals.

The recommendation followed an investigation by the World Jewish Congress, which prompted the Justice Department to examine American archives.

In November, the Yugoslav government offered to let American investigators examine its archives.

The head of the Office of Special Investigations, Neal Sher, went with a historian in December to Belgrade, where they obtained new details and a fuller understanding of Mr. Waldheim's role in German Army actions, including deportations and executions, officials said.

Information gained in Yugoslavia was "new and significant," bolstering an already strong case against Mr. Waldheim, officials said.

Mr. Waldheim has denied involvement in Nazi atrocities and has given varying accounts of his activities in the war.

A New Finding On Infant Death

Reuters

BOSTON — A special form of hemoglobin, the chemical that absorbs oxygen in the blood, appears to linger in newborns who are destined to die from sudden infant death syndrome, researchers reported Wednesday.

A team of researchers at the University of Wisconsin School of Medicine said they were not sure what the discovery meant or whether the lingering hemoglobin contributed to the disease.

But they said their findings might someday help doctors predict if a newborn is at risk for the disease and help medical examiners determine if the disease caused the death of an infant. The study was published in the New England Journal of Medicine.

YEN: *Reagan Advisers Are Divided*

(Continued from Page 1)

Baker, seeking to quell fright in the markets, declared: "Let me emphasize that all seven major industrial countries remain fully committed to strengthening policy coordination, promoting growth and cooperation to foster the stability of exchange rates. We all believe a further decline of the dollar could be counterproductive to our efforts."

On Monday Marlin Fitzwater, the White House spokesman, repeated Mr. Baker's message that the United States and its six biggest industrial allies want to "foster stability" in exchange rates — and the dollar rallied.

Mr. Wallis last week was critical of Clayton K. Yeutter, the special trade representative, for warning Japan that the dollar might fall to 100 yen if it did not take stronger action to open its markets and expand the economy.

That, Mr. Wallis said, sounded as though the United States could and would control the dollar-yen relationship, which he insisted could be done only by the market.

President Reagan's advisers are also divided between free-traders and get-tough negotiators, who believe it crucial to convince the Japanese that they are in serious trouble if they fail to act.

Mr. Wallis said it was an "open secret" that he had opposed the president's adoption of punitive tariffs to retaliate against Japan's alleged dumping of semiconductors in third markets.

He contends that the shift in the dollar-yen exchange rate is already remedying the trade imbalance, noting that the volume of Japan's exports fell 1.4 percent in 1986, while the volume of its imports rose 13.3 percent.

These changes, he maintained, are not yet reflected in official trade statistics, stated in dollars, because Japan's imports are now cheaper because of the yen's appreciation, and Japan's exports are more expensive.

But other economists contend that the dollar still has a good way to fall, perhaps 20 percent. And some say a currency realignment alone can never cure the American trade deficit.

The major industrial countries continue to inveigh against protectionism and assert the need for "convergence" of their fiscal and monetary policies, to correct the trade imbalance.

But their failure to act decisively, especially through greater fiscal stimulus in Japan and Western Europe and budgetary restraint in the United States, leaves the underlying crisis unresolved and the markets shaky.

Mr. Reagan and Mr. Nakasone will be trying to calm the markets and contain the bitter political forces that could endanger the critically interdependent Japanese-American relationship.

Finnish Banker To Form Cabinet

The Associated Press

HELSINKI — Harri Holkeri, a governor of the state bank, has announced that he is forming Finland's first conservative-led cabinet since World War II.

Mr. Holkeri said Tuesday that he would head a four-party coalition that would control 131 seats in the 200-member parliament, two seats short of the two-thirds majority needed for major acts of legislation.

The coalition parties must still endorse the proposed cabinet in separate votes. But Mr. Holkeri said he expected to win approval and go to President Mauno Koivisto to be formally appointed on Thursday.

TRADE: *Tough Measure*

(Continued from Page 1)

United States's major trading partners, including Japan, West Germany, Taiwan, South Korea, Brazil and Italy.

Earlier, the House Republican leader, Robert H. Michel of Illinois, called the Gephardt proposal "a one-way expressway to an economic inferno for American workers."

Mr. Michel said it would trigger retaliation from the trading partners and a possible collapse of world currency and financial markets.

The chairman of the House Ways and Means Committee, Dan Rostenkowski, Democrat of Illinois, who led the opposition on the House floor to the Gephardt amendment, said the bill from his committee would accomplish the same aims as Mr. Gephardt's by using "a surgical knife rather than a meat ax."

He called the committee version, which was defeated, "reasoned but tough" and said Mr. Gephardt's amendment was "too draconian to be effective."

Representative Hal Daub, Republican of Nebraska, said he was one of two members who voted against the committee bill because he feared that even the committee's toned-down version of the Gephardt proposal would trigger retaliation against U.S. overseas agriculture sales.

The leading free trade advocate in the House, Representative Bill Frenzel, Republican of Minnesota, said he supported the bill in the committee "even though it's not my cup of tea" because of the care Mr. Rostenkowski used in crafting a bipartisan bill that Mr. Reagan could sign. But the bill will lose his support if the Gephardt amendment passes, he said.

WORLD BRIEFS

Contras Seen Unlikely to Gain Bases

LONDON (AP) — The U.S.-backed contra rebels are not likely to be able to establish effective bases inside Nicaragua, the International Institute for Strategic Studies said in its annual survey.

The Strategic Survey 1986-87 also said that the military capabilities of Nicaragua's leftist Sandinist government had strengthened. "Indeed, with no major offensive mounted since October 1985," the survey said, "there were perhaps as few as 2,000 contra combatants still in the country at the beginning of 1987, concentrated in one central region and attacking only lightly defended or purely civilian targets."

"Even with U.S. support, the contras are very unlikely to be able to take and hold any territory in Nicaragua where they could establish effective bases," the report said. It said the Sandinist government had tightened control over northern areas of the country.

Malaysia Rebels Surrendering to Thais

BANGKOK (AFP) — About 800 guerrillas of a movement that has been fighting against Malaysia from bases in Thailand for 40 years were expected to surrender to the Thai Army in Yala Province, Thailand's southernmost region, in a two-day ceremony that began there Tuesday, local authorities said Wednesday.

The mass defection was the largest ever by members of the outlawed Communist Party of Malaya, which has about 1,300 members, an army spokesman in the province said. The Communists have been fighting from mountain hideouts on the Thai-Malaysian border. A total of 114 guerrillas surrendered last month and the remaining were expected to surrender within a year, the spokesman said.

The insurgents accepted Thailand's offer of amnesty on the condition that they not be sent back to Malaysia. The Thai government is to set up villages for the defectors along the border and provide each with farmland, according to reports quoted by the Bangkok Post newspaper on Wednesday.

Shamir Says Early Elections Possible

PARIS (Reuters) — Prime Minister Yitzhak Shamir of Israel said Wednesday that a dispute in his coalition government over the question of a Middle East peace conference could lead to early elections.

Mr. Shamir said at the end of an official visit to France that he was opposed to a new ballot because he believed it would damage efforts to fight Israel's high inflation rate.

The possibility of a new election was first raised by Foreign Minister Shimon Peres who, unlike Mr. Shamir, favors a Middle East peace conference under international auspices.

Somalia Seeks Famine Assistance

NAIROBI (UPI) — The government of Somalia declared a national emergency on Wednesday and called for international aid to combat a famine officials say has killed 589 people.

The minister of internal affairs, Brigadier General Ahmed Suleyman Abdulle, said 60 percent of Somalia's population has been affected by a serious drought.

General Abdulle said the situation would be particularly critical in the next six weeks and that people in severely affected areas would need emergency food, water and medical supplies.

Lebanon Cabinet Meeting Postponed

BEIRUT (AP) — A new meeting of the Lebanese cabinet to deal with the nation's economic crisis has been postponed indefinitely, the speaker of Parliament, Hussein Husseini, announced Wednesday. The meeting had been set for Thursday.

The announcement said the postponement was "to allow more contacts at all levels so that the cabinet meeting would be successful." The phrase indicated that differences persisted among Prime Minister Rashid Karami's rival Christian and Moslem ministers in the cabinet on how to deal with Lebanon's economic crisis.

Mr. Karami's 10-man cabinet held its first meeting in seven months on Thursday as a nationwide strike, called by the 250,000-strong General Confederation of Labor to protest soaring prices, paralyzed the country.

For the Record

Ministers of five of the six African nations known as the front-line states for their opposition to South Africa's apartheid policy have arrived in Moscow for a brief working visit, Tass said Wednesday. They are Angola, Mozambique, Tanzania, Zambia and Zimbabwe. Botswana was not represented. *(Reuters)*

Twenty-two people in Sierra Leone, including the dismissed former vice president, Francis Minah, have been charged in connection with last month's coup attempt, The National newspaper reported Wednesday in Freetown. *(Reuters)*

TRAVEL UPDATE

Airlines Asked to Inspect 900 Engines

WASHINGTON (AP) — The National Transportation Safety Board has urged airlines to inspect more than 900 Pratt & Whitney JT8D jet engines of the 200 series, following three incidents in which the engines malfunctioned in recent months.

In each case the planes, which are designed to operate with one of their two engines out, landed safely. The JT8D engine powers such popular aircraft as the Boeing 727, Boeing 737, DC-9 and McDonnell Douglas MD-82, a board spokesman said. The 200 series engine in question is used by about 330 McDonnell Douglas planes, he said.

The board asked the Federal Aviation Administration on Tuesday to "establish an appropriate inspection program" for the engine. The recommendation grew out of the board's investigation of an incident March 23 that involved an American Airlines MD-80 aircraft making an approach to Minneapolis. The board said a series of internal vanes that direct air into the turbine blades in one of the engines stalled. The engine was shut down and the plane made a safe landing, the investigators said. Two similar problems were reported in December.

Greek coastal and inter-island ferry services were cancelled because of strong winds in the east and southern Aegean, the coast guard said. Weather forecasters said the bad weather was expected to continue Thursday. But the restriction on sailings from the port of Piraeus would be lifted if the weather improved Friday, the coast guard said.

RAID: *Union Blamed for 4 Deaths*

(Continued from Page 1)

on April 22, shortly after six striking rail workers were shot to death in clashes with security forces, police rampaged through the 11-story headquarters, beating up union members and vandalizing property.

Police said they had "reliable evidence" that four men whose bodies were found Tuesday night in southeast Johannesburg had been abducted at their work places, taken to union headquarters and "brutally assaulted" before being taken to a spot on the outskirts of the city.

There, police said, they were attacked with knives and machetes and set on fire with gasoline-filled tires. The state Bureau for Information said it was not known whether the victims were set afire after being killed or died from the ritual "necklace" execution.

The state-run South African Broadcasting Corp. reported Wednesday night that seven persons had been arrested in connection with the killings. It said one person who was abducted escaped from a car taking him to the execution site and sought the protection of some soldiers on guard duty.

The police statement said the four workers were killed "for no other reason than that they chose not to participate in COSATU's actions." Authorities said three of the victims were black and one was of mixed race.

More than 16,000 striking railways workers were fired last week by the state-owned South African Transport Services after a week of violence in which more than 60 commuter trains were firebombed, most of them on the rail link between central Johannesburg and the black township of Soweto.

The Transport Services said Monday, however, that hundreds of dismissed workers had applied for reinstatement and that it expected a flood of returning workers Wednesday and Thursday.

The seven-week strike, which is illegal, is the largest ever against South Africa's public services.

A police statement tacitly acknowledged that it had violated the undertaking made in the Supreme Court.

"Although an undertaking was sought from the South African Police to the effect that COSATU members at COSATU House would not be molested — an undertaking the SAP gave without hesitation — it is clear that COSATU House is being used by individuals to plan and perpetrate acts of violence," the statement said.

Witnesses said, police sealed off the block around the building and dispersed demonstrators with leashed dogs and rubber whips.

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Reagan Adviser Is Rebuked for Criticizing Arms Strategy

By Steven V. Roberts
New York Times Service

WASHINGTON — The Reagan administration has rebuked Edward L. Rowny, one of its senior arms advisers, for criticizing the president's arms control strategy. It said Mr. Rowny's comments could complicate talks with the Soviet Union.

"It is somewhat difficult, and there's no sense denying that," Marlin Fitzwater, President Ronald Reagan's spokesman, said Tuesday.

"I think it is fair to say that there are people who are somewhat upset about it and would rather he didn't make those comments, but I have not heard of any efforts to change his status as a negotiator."

In an interview Tuesday, Mr. Reagan was less critical of Mr. Rowny, saying, "I expect diverse opinions in the shop."

But he did take issue with Mr. Rowny's suggestion that the administration was not doing enough to reduce the Warsaw Pact's numerical superiority in conventional forces while it was seeking reductions in medium- and short-range nuclear missiles in Europe.

Mr. Reagan insisted that this superiority "would have to be taken into account" in any agreement between Washington and Moscow on medium- and short-range missiles.

As Mr. Reagan spoke, the State Department rejected a Soviet demand that U.S. warheads for West German missiles be destroyed as part of an accord.

The Soviet demand was made in a formal statement Monday at the Geneva arms talks. The Kremlin also presented a draft treaty on medium-range arms at that time.

On Tuesday, Charles E. Redman, the State Department spokesman, criticized the demand.

"The Soviets had never previously raised the question," he said. "For them to raise this issue now suggests a lack of serious intent."

On Monday some officials said they had expected the issue to be raised and that the elimination of the warheads should be considered.

The United States has taken the position that the nuclear weapons of its allies should not be covered by a Soviet-American treaty. But while the British and French have their own nuclear warheads, the warheads for the West German missiles are under U.S. control.

Mr. Rowny, a retired army lieutenant general who has spent 15 years in arms control work, prompted the debate Monday when he praised a commentary by former President Richard M. Nixon and Henry A. Kissinger, who was Mr. Nixon's chief foreign policy adviser, on the need to link a missile treaty with reductions in Soviet conventional forces. The article was published Sunday in the Los Angeles Times.

Mr. Rowny did not endorse their position, but he said the negotiations with Moscow should not be focused solely on the issue of medium- and short-range missiles and should also deal with such matters as conventional arms, regional conflicts and human rights.

He said the Soviet offer on medium- and short-range weapons was a "pretty good deal." But he added: "That's the small picture. We have to look at the big picture."

"We don't have a consistent strategic policy," said Mr. Rowny, who said he was talking about policy of recent administrations and not just that of Mr. Reagan.

Mr. Reagan did not state explicitly how the conventional weapons problems would be addressed. But White House officials have said the administration would probably try to attach an "understanding" to any arms pact, asserting that both sides would make a special effort to negotiate a reduction in conventional arms in separate talks.

Mr. Rowny has been one of many figures in recent days warning that the administration had not been sufficiently concerned about the Warsaw Pact's numerical advantage in conventional military forces. This advantage, the critics say, would leave Western Europe vulnerable if nuclear missiles stationed there were removed.

The United States and the Soviet Union have tentatively agreed to remove all medium-range missiles from Europe, with each side retaining 100 warheads outside Europe.

Earlier this month, Moscow also proposed removing from Europe all short-range weapons, those that can travel 300 to 600 miles (about 500 to 1,000 kilometers).

■ Verification Issue

Mr. Redman and other officials had a mixed reaction Tuesday to verification proposals in the Soviet treaty draft, The New York Times reported from Washington.

"The Soviets have noted that they will be seeking a verification agreement in some of the basic areas which we require," Mr. Redman said. But he added that "the devil is in the details" and that an extended, technical discussion was still required.

For example, an American specialist said there were potential problems with the language in the Soviet draft saying that inspection would be carried out at "declared" sites. Under the draft, reductions of medium-range missiles would be carried out over five years and each side would ultimately keep 100 warheads outside Europe.

The draft treaty reportedly says that inspections should be carried out "where necessary." Government experts said this language would have to be clarified. They said the language suggested that each side might have to make a case for carrying out specific inspections.

The United States has proposed that each side carry out a limited number of inspections without having to justify them in advance.

The United States said the Soviet draft was more demanding in one respect. The Russians suggest on-site inspection for missile test sites and training ranges, while the United States has not proposed this.

The Americans have proposed that each side have the right to make a limited number of visits to "undeclared" sites that could be used to produce or keep medium-range missiles. The Soviet draft contains no such provision.

Falwell Steps Up Control Of Bakker's PTL Empire

By Art Harris
Washington Post Service

FORT MILL, South Carolina — By barring the Reverend Jim Bakker from retaking the pulpit of the Praise the Lord empire, or PTL, the Reverend Jerry Falwell has placed himself firmly in control.

Beneath crystal chandeliers in the ballroom of the grand hotel built by Jim and Tammy Bakker with money from their flock, Mr. Falwell announced Tuesday after a PTL board meeting that the board had cut all payments to the Bakkers, who he said had received $4.8 million since January 1984 in salaries and bonuses.

As a team of outside accountants examined the books of the multimillion-dollar ministry, Mr. Falwell also announced that the Reverend Richard Dortch, Mr. Bakker's successor as PTL president, had stepped down and that another top Bakker aide, David Taggart, had been dismissed.

It was Mr. Dortch who negotiated a $265,000 payment to Jessica Hahn, the church secretary with whom Mr. Bakker committed adultery in the 1980 incident that led to his resignation in March.

Mr. Falwell, who was asked by Mr. Bakker to take over PTL, said: "We intend to stay and will not step aside."

He said of Mr. Bakker: "His ministry here has ceased."

Mr. Falwell said that all bonuses to other PTL executives had been stopped as of Tuesday and that all compensation would be scrutinized.

Harry Hargrave, a Dallas businessman who took over as chief operating officer Tuesday, said five accountants from the firm of Arthur Andersen & Co. were studying the books.

"We've reviewed operating statements through February," Mr. Hargrave said, "but we're going to have to break it down further" to understand the cash flow. Also under way are audits to track down titles to cars, land and homes in possession of the Bakkers.

Mr. Falwell pledged to honor all PTL debts.

He did not respond in detail to questions of reported financial irregularities, nor to charges that Mr. Bakker had frequented prostitutes and engaged in homosexual activities. Mr. Bakker has denied those charges.

But a lawyer for PTL, Norman Roy Grutman, said later that he had spent hours going over tapes and other documentation of these allegations, presented by a Tennessee evangelist, the Reverend John Ankerberg.

"It was not evidence that could be cavalierly disregarded," Mr. Grutman said. "It came from credible people."

Mr. Falwell, who is based in Virginia, invited Mr. Bakker to face his accusers.

"If I were Reverend Bakker," he said, "I'd want to meet every one of them." He also said: "I have nothing but love and appreciation for the Bakkers. I look around and see so many good things they have done. I thank God for what is here."

He confirmed that the $265,000 paid to Ms. Hahn came from PTL funds. The unwitting donor, said Mr. Falwell, was a contractor, Roe Messner, who is owed $14 million by PTL and has built $60 million worth of projects at the PTL's Heritage Village USA in Fort Mill.

AP

Jessica Hahn speaking about her role in the Bakker case.

Mr. Grutman said he had recommended to the board that payments to Ms. Hahn stop. He said she might be asked to pay back what she had received.

Mr. Grutman said that, by talking to the press, Ms. Hahn had broken the agreement under which she was paid. But Ms. Hahn, 27, later said outside her home in West Babylon, New York: "I have done everything I've been asked to do. I've kept quiet."

Soviet Embassy Plan Opposed in U.S.

By Neil A. Lewis
New York Times Service

WASHINGTON — Several members of Congress have moved to force the Reagan administration to scrap the agreement allowing the Soviet Union to build a new embassy on one of the highest hills in Washington, according to officials in the State Department and on Capitol Hill.

"We want them off that site," Representative William S. Broomfield of Michigan, the ranking Republican member of the House Foreign Affairs Committee, said Tuesday.

Mr. Broomfield is working on one of several proposals making their way through the House of Representatives and the Senate to bar the Soviet diplomats from the site known as Mount Alto, in northwest Washington. Mr. Broomfield and others said in interviews that legislation to end Soviet use of the site was a certainty in the present atmosphere.

The legislation could take the form of amendments to a bill authorizing State Department operations for the coming year. The bill is expected to be ready in two weeks.

Under an agreement signed in 1969, the Soviet Union and the United States provided each other with new embassy sites. The Soviet Union was given a high vantage point in Washington that some lawmakers say helps its electronic eavesdropping efforts.

At the same time, Congress has been investigating reported security breaches at the present U.S. Embassy in Moscow and assertions that the new embassy building under construction there is riddled with electronic listening devices.

The House Foreign Affairs subcommittee on operations voted Tuesday to subpoena State Department files after the chairman, Daniel A. Mica, Democrat of Florida, complained that information about security breaches in Moscow was being withheld from Congress.

The State Department spokesman, Charles E. Redman, said that some secret cables had been withheld and that the State Department would "negotiate" their release to Congress.

In the Senate, Senator Bob Dole of Kansas, the Republican leader, has drafted a measure to force the Soviet Union to leave Mount Alto if the new U.S. Embassy in Moscow cannot be made secure by the end of the year.

A State Department official said Tuesday that there would be no impediment in international law to scrapping the agreement as long as Moscow was given proper notice and was paid for any damages.

The official said the Soviet Union was believed to have spent $60 million to $70 million so far on the site. Some lawmakers say the Soviet Union should be asked to compensate the United States for the $140 million spent so far on the new embassy in Moscow.

President Ronald Reagan has said that the Soviet Union will not be allowed to occupy all the buildings on Mount Alto until the United States is satisfied that it has a secure new embassy.

In Kuala Lumpur, a Party's Empire

Critics Say Its 'Money Politics' Breeds Official Corruption

By Michael Richardson
International Herald Tribune

KUALA LUMPUR, Malaysia — When the prime minister and other Malay politicians fought for top party positions at a weekend meeting, they did so in the marble and wood-paneled halls of a gleaming 40-story building.

The tower, completed in December 1984, is owned by the United Malays National Organization. The party, the chief component of a multiracial coalition that runs the federal government and most state administrations in Malaysia, has its headquarters in the building.

Next door is a 600-room luxury hotel. The United Malays organization owns that, too.

The complex is part of a business empire built up by the party since the early 1970s. It has given the United Malays control of most of the main Malay and English-language newspapers, a television station, a commercial bank, a finance company, a merchant bank, substantial property holdings and ventures in manufacturing, trading and tin mining.

For many Malays this empire is a source of pride, a symbol of their ability to compete on an equal footing with the country's other major ethnic group, the Chinese.

Along with foreigners, immigrant Chinese had long been a dominant force in the economy.

The use of political power to tilt the economic balance in Malaysia in favor of Malays has produced some controversial results.

At a meeting in February called to promote the principle of public accountability, Ahmad Noordin Zakaria, a former auditor-general of Malaysia, deplored what he said were falling standards of integrity in politics.

Other critics worry that "money politics" are encouraging corruption in the bureaucracy, reducing incentives for Malays to acquire sound business skills, accentuating the gap between rich and poor, and playing into the hands of Islamic extremists. Islam is the official religion in Malaysia and nearly all Malays are Moslems.

"Politics," said one veteran member of the organization, "has become primarily a contest for the spoils of office, for the patronage, licenses, concessions and contracts that go with power."

The party, he asserted, had changed during the last 20 years from being a rural-based organization in which teachers and local leaders played a key role, to one that was in danger of being dominated by businessmen and urban interests.

Prime Minister Mahathir bin Mohamad, who has been in office for six years, denied assertions that he tolerates or benefits from corruption.

He told the organization's general assembly on Friday that "in line with with the assimilation of Islamic values, we have undertaken to clean up management at all levels."

Referring to financial scandals that have affected his government's credibility, the prime minister said that after the economy deteriorated several years ago — under the impact of falling international prices and demand for Malaysia's tin, oil, natural gas, palm oil, rubber and other leading exports — "a lot of unhealthy practices among businessmen and managers were exposed."

He said action was taken against some offenders, but "unfortunately we could not trace and obtain proof against others."

But the government, he added, would ensure that "all these cheats pay according to their crimes."

Critics assert that the Mahathir administration has tended to do too little too late in investigating cases of alleged corruption, mismanagement or conflict of interest where leading figures of the organization have been suspected of involvement.

In September, cabinet ministers were obliged to divest themselves and their families of stakes in companies.

But this ruling was only enforced after a public outcry following disclosure that Finance Minister Daim Zainuddin had acquired control of Malaysia's third largest bank to the detriment of a state-owned investment corporation.

Mr. Daim, a wealthy businessman, is a close associate of the prime minister.

Mr. Mahathir narrowly survived a challenge in voting Friday for his position as president of the United Malays organization. The challenge came from Razaleigh Hamzah, his trade and industry minister.

Hussein bin Onn, a former prime minister, said he believed the groundswell against Mr. Mahathir partly reflected dissatisfaction about alleged abuse of power.

"He must make a genuine effort to weed out corrupt people and clean this government," Mr. Hussein said. "That's the message I read from the results."

Messages Indicate Waite Is Alive, Well

New York Times Service

LONDON — Unofficial, unconfirmed messages from Lebanon continue to report that Terry Waite, the kidnapped envoy of the archbishop of Canterbury, is alive and well, the archbishop's office said Tuesday.

Mr. Waite disappeared in Beirut on Jan. 11 while trying to negotiate the freedom of foreign hostages seized by Lebanese guerrilla factions. There has been no firm word on his whereabouts or health since then, and no formal demands for ransom have been reported.

"That's part of the frustration," said Chris Osborne, a spokesman for the British Foreign Office. "There has never been a formal claim or demand and we are left with a bag of theories."

The archbishop, the Most Reverend Robert Runcie, has sought the aid of the Iranian government, which is thought to have considerable influence with the Hezbollah, or Party of God, faction that is suspected of holding Mr. Waite.

In particular, Archbishop Runcie appealed to the speaker of the Iranian parliament, Hashemi Rafsanjani, who in turn suggested the archbishop help trace hostages kidnapped by Christian Lebanese guerrillas.

Northeastern U.S. Gets Spring Snow

The Associated Press

BOSTON — An April shower in New England turned to about 15 inches (about 38 centimeters) of snow on Wednesday. Snowplows and sand spreaders went out ahead of morning rush-hour motorists who already had removed their snow tires.

"We had our summer over the weekend," a state trooper joked Tuesday in the central Massachusetts town of Cheshire. "We're looking forward to winter now."

Snow also fell Wednesday morning over Maine, New Hampshire and Rhode Island, but much of it was expected to begin melting later in the day. Warmer temperatures and a chance of rain were forecast in Massachusetts and Rhode Island.

OPINION

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

A Tale of Two Budgets

Even the ebullient Yasuhiro Nakasone may be crestfallen this week as he discusses disputes between Japan and the rest of the world with American leaders. Quite unusually, a prime minister has had to withdraw a tax proposal from a hostile Diet. Mr. Nakasone's Washington visit may be one of his last free trips, because his party is a hard taskmaster and will not forget defeat easily. So is this a sterile conference between lame ducks?

It does not have to be. The Reagan presidency still has a year and a half in which to introduce common sense into economic policy. The Liberal Democrats, with or without Mr. Nakasone, will still dominate Japanese politics. The possibility of progress on the economic front between now and the Venice summit meeting in June should not be sold short.

Mr. Nakasone was defeated on a good proposal that came at a bad time. Fiscal reform that shifts part of the tax burden from direct to indirect taxes is sensible in most countries. It can raise incentives to work and to save. Japan, where "sales tax" is a dirty phrase, is eventually going to need more taxes to finance the implications of an aging population. But the last thing it needs in the immediate future is either more taxation or more savings.

The yen is so strong, and threats of discrimination against Japanese goods are so widespread, because Japan is running a huge trade surplus — because it is saving too much. It is unlikely that the vast personal savings can be reduced fast. So Tokyo has to act on the side of government saving, pushing the budget deficit up for a time. This takes a combination of higher public spending — on things Japan seriously needs — and tax cuts, and that is what the governing party seems to have promised for the next few months.

The 1987-88 budget was devoid of any such boost. But at least it has now been adopted, thanks to the decision to shelve the sales tax, and so the way is clear for a meaningful supplementary budget. Tokyo talks of a boost of about 1.5 percent of GNP, a significant sum. It also talks of plowing an extra $30 billion of loans into Latin America during three years, which would help the debtors. But the world, naturally, looks on these promises with caution. Expansionary budgets have been promised before but have proved an illusion — creative accountancy that changes little. More foreign lending could mainly serve to increase Japan's exports further, perpetuating the vast surplus.

But this is a much better path to tread than the present and impending sanctions on trade with Japan, which can only slow down the drive toward better U.S. competitiveness that President Reagan advocates, and force other countries — notably in Europe — into new protectionism.

It is a tale of two budgets. If Japan can deliver on its present vague promises of an expansionary budget, and the Reagan team can show more political flexibility toward a more restrictive one — with modest tax increases — world economic prospects could change rapidly for the better.

INTERNATIONAL HERALD TRIBUNE.

Meese's Brave Stance

Nazism embodied one of history's great evils; to resist it now, 42 years after World War II, sounds like routine virtue. But it can require strength, even courage. Twice now in a week, the U.S. attorney general, Edwin Meese, has shown it.

First, Mr. Meese overrode strong rightist sentiment in the case of Karl Linnas, deporting the former concentration camp commander to the Soviet Union, where he is under a death sentence for killing innocent Jews. Then, with the support of Secretary of State George Shultz, the attorney general declared Kurt Waldheim, the president of Austria, to be a suspected wartime persecutor of Jews who should be stopped at the border should he ever return to the United States as a visitor.

Strictly speaking, Mr. Meese was only following the law, yet each act was courageous. Each was supported by impressive evidence gathered by the Justice Department's Office of Special Investigations, yet the attorney general had to resist a tide of ideology and misinformation.

To America's chagrin, the policy of denying haven to Nazis is quite recent. The nation that saved the world from fascist tyranny long served as a refuge for thousands of Hitler's henchmen, many of them welcomed as fugitives from communism.

Then in 1979, Representative Elizabeth Holtzman of New York pressed for a new policy and for the resources to enforce it. Only then did the United States seek out the domesticated Nazis, strip them of their fraudulently obtained citizenship and deport them. The same law added Nazis to a "watch list" applied to foreigners who must dispel suspicions about their past to gain lawful entry.

What made Mr. Meese's straightforward actions remarkable was their political setting. This is the administration that countenanced President Reagan's tribute at the Bitburg cemetery where SS troopers who ran German death camps are buried. Mr. Reagan's former communications director, Patrick Buchanan, resisted the Linnas deportation long and loud, with intemperate charges of caving in to Soviet injustice. As Mr. Meese knows, the evidence of Mr. Linnas's identity and illegitimate status was developed by his department, not by Soviet authorities, and was sustained by the federal courts.

The charges that Mr. Waldheim participated in persecution of Jews and others as a Nazi officer are bolstered by Mr. Meese's finding that Mr. Waldheim appears to have lied to cover up this unsavory chapter in his life. Serious and humiliating as that charge is, it relates to him as an individual. Properly understood, it is no insult to the friendly nation he heads. On the contrary, Mr. Meese's unflinching act means that America refuses to forget the battle against fascism. Mr. Meese deserves praise for taking it.

— *THE NEW YORK TIMES.*

Trash Without a Country

One day last month a sturdy barge pulled by a tugboat set out from Long Island, New York, for southern shores. It carried a cargo weighing 3,100 tons and consisting of a principal product of the northeastern United States, a product that some call the inevitable and irreducible detritus of the workings of an advanced civilization and that others call simply garbage.

The barge made for North Carolina, where a businessman named Lowell Harrelson had arranged that the six million pounds of refuse from Islip, New York, would be used in the manufacture of methane gas. But an official guardian of the environment in North Carolina looked upon the great, compacted, largely unidentifiable agglomeration of stuff from faraway Islip, (and perhaps smelled upon it too) and said, "No way," or words to that effect.

And so the barge was towed farther south, first to Alabama, where it was again repelled, and then to Louisiana, where Governor Edwin Edwards, a man of bluff good humor, said he might call out the National Guard if the ship did not move on quickly. It did, toward Mexico, where ships and warplanes were promptly placed in a state of "permanent vigil" to guard against it, and then, at last report, to the vicinity of the nation of Belize, whose leaders Mr. Harrelson was attempting to persuade of the virtues of garbage as a source of gas.

Meanwhile in Washington, the staff of Senator Alfonse D'Amato, a Republican of New York, was working feverishly to find a port — any port — that would accept the barge. We fear, however, that things have reached the point where there is nothing left to be done but for Islip to declare victory and call its garbage home.

To the sound of high school bands, fire horns, a specially composed poem and the oratory of Senator D'Amato, Islip should welcome back the ship that challenged the might of North Carolina, Mexico and Governor Edwards, and pin medals on the four-man crew of the tugboat. There may still be a problem as to what to do with the garbage, but with any luck even that will be taken care of. By the time V-G Day is celebrated, Senator D'Amato, given his resourcefulness in such matters, may well have gotten the barge commissioned as the first nuclear submarine with flies.

— *THE WASHINGTON POST.*

Other Comment

The Cost of PLO Unity

The long-feuding factions of the Palestine Liberation Organization have concluded their efforts at reconciliation in Algiers, proclaiming that unity has been restored after four years of bitter polemics and sometimes bloody hostility. Now the PLO must contend with the cost of this tenuous achievement.

Within hours of the conference, Egypt shut down PLO offices in Cairo in angry response to the nasty things said about it by PLO radicals. Jordan had earlier done the same. Syria can be counted on to continue exploiting divisions within the PLO. In Lebanon, local forces remain determined to stop the PLO from re-establishing its armed autonomy. There are those in the Arab world who welcome the appearance of PLO amity. But in the Arab states that matter most, the PLO's isolation has only deepened.

Israeli hard-liners can take comfort from the Algiers meeting. Prime Minister Yitzhak Shamir has dismissed the idea of an international conference as "insane." In the post-Algiers political climate the prospect [of such a conference] seems more distant than ever.

— *The Los Angeles Times.*

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The Zero Option Wouldn't Leave the West Uncovered

By Helmut Schmidt

The writer, publisher of Die Zeit, was West German chancellor from 1974 to 1982.

HAMBURG — The rapid movement toward an arrangement that would remove Soviet and Western intermediate-range missiles from the European theater has caused great concern, even among longtime advocates of arms control. As one who originally encouraged the "zero-zero option," and was forced from office partly for advocating the idea, I urge my nervous friends in Europe and America to embrace it. Their fears that the removal of these weapons will leave Europe vulnerable to Soviet attack are misplaced.

It is first necessary to understand some recent history. The problem was created by Moscow's decision to deploy newly developed SS-20 rockets in the mid-1970s, which created a disparity of power in Europe. This fact was noted by President Gerald Ford and his secretary of state, Henry Kissinger, during the summit meeting at Vladivostok in 1974.

Mr. Ford, however, decided to solve the problem after his expected re-election in 1976 within the framework of the SALT-2 agreements, a course that I, as West German chancellor, accepted. But Jimmy Carter, who became president, did not accept my opinion that the SS-20s posed a growing political and military threat to West Germany, and he decided not to tackle this problem within the framework of SALT-2.

Annoyed, I went public with my concerns in a speech in London in the autumn of 1977, which prompted the White House to re-evaluate the matter the next year. Finally, in January 1979, in a meeting involving Mr. Carter, Prime Minister James Callaghan of Britain, Prime Minister Valéry Giscard d'Estaing of France and myself on Guadeloupe, Mr. Carter offered to balance off the SS-20s by deploying American intermediate-range missiles on West European soil, particularly on West German.

The three European leaders suggested a variation on this strategy, which became known as the dual-track approach. What it amounted to was that, if negotiations were fruitless, the North Atlantic Treaty Organization would deploy its own missiles in Europe to counter the Soviet buildup, but would push forward with further negotiations to limit the deployment of intermediate-range missiles on both sides. President Carter agreed to this idea and so did the West European allies, despite heavy domestic opposition and demonstrations, particularly in the Netherlands, West Germany and Britain.

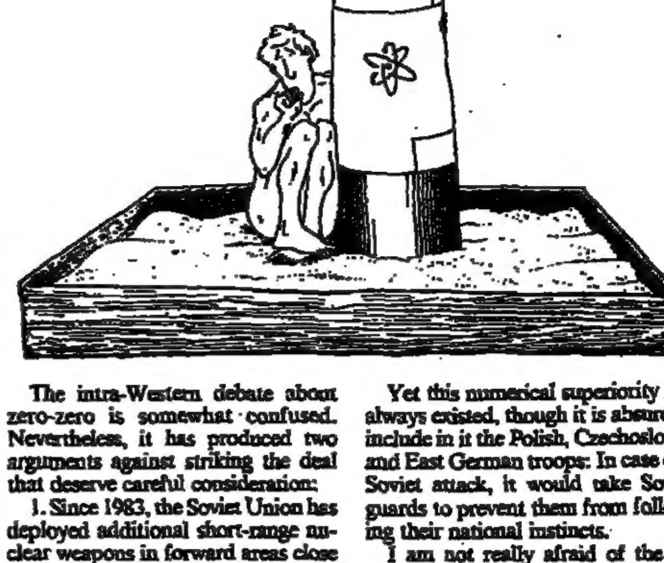
During the 1980s, I repeatedly pointed to a zero-zero solution, under which both sides would eliminate all intermediate-range missiles, as being the optimal outcome of the negotiations. Leonid Brezhnev, the Soviet leader, rejected this formula but agreed to negotiations, which began in the fall of 1981. In the meantime, President Reagan, at my suggestion, had publicly endorsed the zero-zero formula. In spite of great effort and skill applied by the American negotiator Paul Nitze, the negotiations failed and the deployment of Pershing-2s and ground-launched cruise missiles started at the end of 1983.

So it is ridiculous to claim that the zero-zero solution is a "communist proposal," as some American public figures are quoted as having said. It has been a Western proposal from the beginning. If in 1987, as I sincerely hope, the zero-zero formula is going to be agreed upon between East and West, it will be a concession by the East and not by the West.

Why does Mikhail Gorbachev make that concession? The Kremlin has two main reasons:

First, it had hoped, with the help of the peace movements in the West, to prevent the deployment of Western intermediate-range missiles. These missiles were deployed, and Soviet leaders now realize that the Pershing-2s and ground-launched cruise missiles constitute a serious threat.

Second, Mr. Gorbachev must open a gateway toward further mutual arms reductions because he urgently needs, for economic reasons, to scale down his military expenditures, which amount to 12 to 14 percent of the Soviet gross national product. He cannot otherwise hope tangibly to improve the Soviet standard of living, an improvement he dearly desires.



The intra-Western debate about zero-zero is somewhat confused. Nevertheless, it has produced two arguments against striking the deal that deserve careful consideration:

1. Since 1983, the Soviet Union has deployed additional short-range nuclear weapons in forward areas close to West Germany, mainly in Czechoslovakia and East Germany, thus creating an additional disequilibrium in its favor. This disequilibrium has to be dealt with in the framework of negotiations on intermediate-range missiles, and Mr. Gorbachev has indicated his willingness to do so.

2. Some military thinkers in the West, including the supreme allied commander in Europe, General Bernard Rogers, have stressed the belief that abandoning short-range missiles would deprive the West of the capacity to use nuclear weapons first in response to a Soviet conventional attack. Pointing to the Soviet Union's numerical superiority in conventional weapons in Europe, General Rogers argues that the option to use short-range nuclear weapons first is vital to credible deterrence.

Yet this numerical superiority has always existed, though it is absurd to include in it the Polish, Czechoslovak and East German troops: In case of a Soviet attack, it would take Soviet guards to prevent them from following their national instincts.

I am not really afraid of the remaining conventional disequilibrium because I strongly believe in the high capability and fighting spirit of the West German forces. There are 500,000 soldiers on the spot, and this number can grow quickly to 1.3 million in less than a week after mobilization. We Germans, like the French and all other continental West European countries, have maintained the draft; we thus have at our disposal numerous fully trained reserves, whose deterrence value is high. It would be still higher if the French, the Benelux and the West German forces were integrated in the future.

In case of a zero-zero agreement, including short-range weapons, the West would still have enough nuclear artillery and nuclear-equipped bombers so that the famous "flexible response" strategy could still be applied. But "flexible response," as I have said before, has never presupposed genuine flexibility; it has always implied a quick escalation toward very early first use of nuclear weapons by the West. It is unrealistic to believe that West German soldiers would fight after the explosion of the first couple of nuclear weapons on West German soil; the West Germans would certainly not act any more suicidally than the Japanese did after Hiroshima and Nagasaki.

Western nuclear weapons are necessary and valuable only to deter the Eastern side from a first use of Soviet nuclear weapons. This also applies to so-called strategic weapons.

What we need to discourage and deter an adversary from limited aggression, whether in Afghanistan, Europe or elsewhere, are credible conventional forces. Such forces exist in Western Europe in almost satisfactory numbers. To tell the West Germans that their territory could be defended effectively only if we in the West were willing to be the first ones to strike with nuclear weapons is a sure way of undermining West Germany's will to fight if the need to defend itself actually arose.

More broadly, West Germany would be deeply concerned if the zero-zero proposal, which it helped sponsor and encourage, were now to be abandoned by the West.

The New York Times.

An Asian-Pacific Trade Group Might Better Survive the Crossfire

By Malcolm Fraser

The writer, former prime minister of Australia, is on the executive committee of the Inter-Action Council, a group formed by former heads of government to analyze global problems and seek solutions.

KUALA LUMPUR — We now have a trade war, 1930s-style. Japan has become the whipping boy. In the United States and Europe, there are many who say it is Japan's fault. In trade wars, however, all participants are at fault. There is little profit in apportioning blame, but President Reagan's policies are responsible for much of the United States's twin problems of budget and trade deficits.

Attempts are being made to get a new round of negotiations moving under the auspices of the General Agreement on Tariffs and Trade. GATT has been reasonably effective in reducing tariffs on industrial goods traded between industrialized states. But it is not structured to deal with challenges posed by newly industrializing countries. It does not cover services, commodities or agriculture. I do not see how it can reverse present protectionist trends.

While tariffs on industrial goods have come down, agricultural protection has risen by 250 percent. This year, the European Community and the United States, either by direct subsidy or price support schemes, are underwriting agriculture to the tune of $120 billion. This has impoverished much of the Third World.

An example: Without subsidies, no sugar would be produced in Europe or the United States, allowing a large number of developing countries, whose economic health depends on sugar, to stand on their own feet.

Agriculture has been listed, with Europe's agreement, for discussion in the GATT round of talks. But that is a tactical maneuver. Eventually, one of the major EC states will exercise its de facto right of veto on any proposals it dislikes.

What should we do? First, the developing countries, and the agricultural and commodity traders like Australia and New Zealand, ought to combine to strengthen our negotiating position. We should give the GATT and the EC one last chance. Tests should be established against which the performance both of the GATT and of particular countries should be measured.

A number of basic decisions should be taken by the end of this year:

- Concerned nations should be prepared to commit themselves not to increase protection against any other country.
- All export subsidies should be phased out within three years.
- Anti-dumping rules should be applied to all trade, both agricultural and industrial.

Additionally, protection of agriculture should be reduced to the general level of industrial protection over five to seven years.

If the EC and the United States are not prepared to agree to these points, other countries should make their own arrangements. Working alone, we are defenseless. Working together, we gain strength.

Within a few years, even without China, the countries of Asia and the Pacific would have a combined economy larger than that of the EC. States in the region should discuss mutual trade arrangements now. Participants should not be chosen by ideology. A nation's willingness to enter a more open and equitable system should be the basis of involvement.

The aim should be to establish a new trade association with regulations similar to the basic rules that are the test of the GATT's credibility. Participants should be prepared to undertake not to increase protection against one another.

Those taking part must be ready to agree that anti-dumping rules would apply to all trade, not just to industrial trade. No member state would import dumped products from any source. There should be a commitment in principle to negotiate an end to protection.

There should be a commitment to negotiate cuts in general levels of protection and to establish common tariffs for dealing with nonmembers. The most-favored-nation principle must be preserved. Higher levels of protection could be imposed on any nation that continued to subsidize exports. That has particular relevance for the EC and the United States.

Asian and Pacific countries could initiate such a trade association, indeed, will be forced to do so, if Europe and the GATT do not change their ways. The association would not be restrictive, would seek to preserve the multilateral trading system, and would oppose the growing trend toward bilateralism.

Negotiations would be difficult, but no more so than the circumstances we now face. The alternative is to play by the EC's rules, which are framed to maintain EC power regardless of the consequences to others. While big nations can negotiate from strength, the only hope for small and medium countries is fair rules for trade.

Applying anti-dumping rules to all trade would achieve a major advance, almost a new economic order — a sobering thought for those leaders of industrialized states who lecture the Third World about economic incompetence.

We should challenge those nations to live, and let others live, by the principles they pretend to follow — an open, multilateral trading system, more open markets, division of labor, private enterprise and competition.

Such principles, if valid, must apply to all trade. So often the industrial powers seem to be saying to others: These are wonderful rules, great principles, but their benefits apply only to those who already have achieved affluence.

International Herald Tribune.

Glasnost: An Accident Or a Rewrite of Marx?

By Don Oberdorfer

This is the second of two articles.

WASHINGTON — When Georgi Arbatov was a young man, he helped ghostwrite the official textbook of Marxism-Leninism. His supervisor in the job, an old Bolshevik and Central Committee secretary named Otto Kuusinen, made him rewrite a section on man and destiny 17 times. The correct line was that talented leaders arise, only partly through chance, to meet the public needs of the era at hand.

Mr. Arbatov, now director of Moscow's Institute of U.S.A. and Canada and a member of the Central Committee, cited this to explain Mr. Gorbachev's emergence.

Now, he said, was a good time for a Gorbachev to appear with his aura of newness. He noted that Mr. Gorbachev is the first Soviet leader not to have taken part in the Stalin era or in World War II, and the best educated Soviet leader since Lenin.

Another Russian observed that Mr. Gorbachev had spent most of his adult life in his home province, where he had more contact than Moscow leaders do with the realities of ordinary life.

Not that Mr. Gorbachev should be confused with a Western leader, however boldly he comes on. "He's a devoted Communist, I can tell you," said Mr. Arbatov with a grin.

□

Georgi Shaknazarov, president of the Soviet Political Science Association and a Gorbachev adviser, explained how glasnost, or openness, and the proposed election reforms developed by improvisation.

"The first idea was to use old methods to speed scientific and technical development," he said. "Shortly they realized that was impossible without drastic economic change as a whole. In time it became clear that was impossible without the full participation of the entire society."

From this "chain of changes," as he called it, flowed the policy of glasnost and Mr. Gorbachev's proposal for multicandidate elections.

Clearly, the Gorbachev reforms have grown like topsy, largely unplanned. Thus another sign of Mr. Gorbachev's boldness — and his vulnerability — is his willingness to experiment with some of the most basic concepts of his society.

Mr. Shaknazarov is often credited with being an author of Mr. Gorbachev's "new political thinking" in foreign affairs. The basic premise is that in the nuclear age, security for one nation can only flow from security for all. As Mr. Gorbachev put it in a Prague speech, "The world's nations are interdependent, like mountain climbers on one rope. They can either climb together to the summit or fall together into the abyss."

Mr. Shaknazarov insisted that the professional military will accept the new doctrine, which seems diametrically opposed to Soviet (and Western) military doctrine. But a Russian who has contact with troop commanders was less certain. One of them told him, "Your 'new thinking' is fine for international consumption, but don't infect our troops with it."

Shortly before I went to Moscow, I had heard from an East European Communist leader that the Soviet Union has changed its official doctrine from "equal security," meaning a need to be as strong as all adversaries combined, to "sufficient security" implying a much smaller military need.

If accepted by the Soviet military and translated into force requirements, this shift could have great impact on the global military situation in the years ahead.

□

So major change is taking place in the Soviet Union, especially in the artistic and intellectual fields.

If Mikhail Gorbachev can consolidate his position in the next several years — and that is a big if — he seems likely to have at least a decade, maybe two, to work on the changes that will be necessary to remake the Soviet Union.

The Washington Post.

The Danger of an EC Snub to Turkey

By Giles Merritt

BRUSSELS — Should Turkey be allowed to join the European Community? Ever since Ankara dropped its bombshell in mid-April by formally applying for membership, the 12-nation community has been agonizing over its answer.

The question is one the Europeans had hoped would never be asked. For years the Turks have made teasing references to their right to ask for an upgrading of their 1963 associate membership, but nobody in Brussels thought this would come to anything.

But by late last year it had become uncomfortably clear to the European Commission that Prime Minister Turgut Ozal intended to apply for membership. His reasons, unfortunately, have little to do with Turkey's case for joining an economic group that is, in essence, a rich man's club.

Mr. Ozal's motives are political. He perceives that the EC is in the throes of a major overhaul — both through its enlargement and through its internal streamlining — and he is anxious not to miss the boat. He is understood to fear a freeze on EC restructuring once the community's present goals are achieved, thus leaving Turkey out in the cold.

His main consideration, though, is the general election he must fight next year. Mr. Ozal's bid for EC membership could be a rallying call for voters across the spectrum.

"It's definitely not an economic decision but a political one," said Mehmet Ali Birand, the European correspondent of the respected Istanbul daily newspaper Milliyet.

"Turkey doesn't want to be outside Europe — and let's face it, there is nowhere else for us to go. But the Turkish people know very little about the workings of the Common Market, so for them it's a bit like wanting to be in the top football league."

These misgivings are shared by EC bureaucrats in Brussels. The community already is suffering from indigestion as a result of the Greek, Spanish and Portuguese accessions. The newcomers' industrial and agricultural needs are very different from those of the northerners, and a North-South divide has opened. The idea of admitting Turkey, the original sick man of Europe, is widely rejected.

Turkey has made giant strides in the last quarter century; it can now boast 20 cars per 1,000 inhabitants, up from two. But its per capita gross national product is just above $1,000 a year. And the new industries of which it is so proud are more likely to impress its Middle Eastern neighbors than visitors from the West.

The EC has long been split in its attitude to Turkey. Countries that have been hostile because of Turkey's human rights violations and its proneness to military coups include France, Denmark, the Netherlands and, of course, Greece. Those that have sought to integrate Turkey into Western Europe for "geopolitical" reasons — meaning its position as NATO's eastern bulwark — include Britain, West Germany and Belgium.

Its application may be delayed for years. Fine. A quick rejection could hurt Turkish democracy.

So how will Europe handle the Turkish application? EC foreign ministers gave the matter a preliminary look when they met Monday in Luxembourg. Overriding Greek attempts to ensure that the Turkish request was stillborn, they forwarded the dossier to the European Commission for a formal recommendation.

It remains unclear how energetically Brussels will tackle the job. It could take years: Some observers talk of as much as 15 years elapsing while the commission prepares its report on Turkish membership. But for once, the snail's pace of EC decision-making could be in everybody's interest.

During that period, Turkey would have the advantage of a new, more positive relationship with the EC. The evaluation process would give Ankara a yardstick to measure its drive to liberalize the economy and to make it more dynamic. Turkey would feel less that it is in a limbo between Europe and Asia. And an improvement of its ties with Greece can be hoped for.

There remains the possibility, however, that politics could accelerate the process. The Turkish demand could be rejected within months. That would have serious repercussions in Turkey.

Prime Minister Ozal is sometimes criticized for a presidential style of leadership and what is said to be a weakness for appointing relatives to high office. Yet he has forged a consensus between Turkey's antagonistic political parties on crucial issues, and he looks likely to win a second term in 1988. A snub to Mr. Ozal could easily upset Turkey's fragile democracy.

International Herald Tribune.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Getting the Story

NEW YORK — Millions of newspaper readers who have been eagerly devouring every word about the greatest sea tragedy of all time have little idea of the tremendous efforts made by the press of the entire country to keep them acquainted with every additional detail of the thrilling story. Every important newspaper in the country has kept its telegraph operators at their posts night and day since the report of this disaster was verified [April 5], an additional paragraph of one or two lines being sufficient to warrant getting out extras. Recognized as one of the greatest stories of the age, no expense has been spared to get it, and no sacrifice on the part of the newspaper men has been too great to make sure that every angle of the heartbreaking tragedy has been properly covered.

1937: Mola in Guernica

FRANCO-SPANISH FRONTIER — General Emilio Mola's troops entered Guernica [April 29] and immediately commenced an outflanking movement threatening to drive the Basques out of the second-line defenses on which they fell in their hasty retreat in the course of the last 48 hours. When the Nationalist troops entered Guernica the ancient Basque capital was in ruins and still burning. The Basque garrison had withdrawn only half an hour earlier, when it became clear that the town could no longer be defended. Not a shot was fired. The Nationalists took several prisoners. The loss of Guernica will make the defense of Bilbao extremely difficult, for the ruined town, though it had been under Nationalist artillery fire since yesterday, was the outpost of the new Basque line of defense.

OPINION

To Nixon and Kissinger: You've Gone a Bit Too Far

By James Reston

WASHINGTON — A letter to Richard Nixon and Henry Kissinger:

Gentlemen:

I see by the papers that you have gone into the column-writing business together, and I venture, as an old geezer at this dodge, to give you a word of advice about the dangers of giving advice.

If there is one thing officials hate more than criticism from columnists in general, it's public advice from their predecessors in office. It is true that the worst men often give the best advice, but those who need it most like it least, and the better the advice is the more it is likely to be ignored and resented.

Consider your first column. It breaks the first rule of a good column, which is brevity, and it breaks the second rule, which is modesty, and the third rule, which is generosity.

Even Mencken would have blushed at such a sweeping indictment.

What you are saying, in short, is that President Reagan is on the verge of making a reckless nuclear arms deal that favors the Soviet Union, that threatens the security of the United States, and that "could create the most profound crisis of the NATO alliance in its 40-year history."

Even H.L. Mencken would have blushed at such a sweeping indictment. It would be bad enough from a casual scribbler, but from a former president and a former secretary of state, it sends a shudder through every allied capital.

You say the United States "must demand" all sorts of things it is not likely to get. We "must demand" the elimination of all intermediate-range missiles worldwide; we must insist on a balance of all conventional forces before agreeing to the withdrawal of nuclear weapons.

Our negotiators "must hold their ground on these points," you say. "No deal is better than a bad deal ... We can reach a good deal, for both sides, if we always keep in mind that Gorbachev needs a deal as much as we do."

You say it was a mistake for NATO to have offered the zero option in the late 1970s, and now that Mikhail Gorbachev has accepted it, that we should not take his "yes" for an answer but insist on the further concessions you propose.

"In addition to arms control," you write, "it is vital that a summit convened to sign a missile agreement deal with the major political U.S.-Soviet issues.

"If summitry is to promote the chances of peace, the superpowers must address the potential causes of war. It is not weapons that cause war, but rather the political differences that lead to the use of those weapons.

"Therefore, when Reagan and Gorbachev meet, there must be significant progress toward resolving key political issues, such as the Soviet occupation of Afghanistan, Soviet arms shipments to Nicaragua and Soviet-sponsored subversion in Central America."

This is not to say that your conclusions are wrong or that your objectives are not desirable. But they are based on the worst possible assumptions of Moscow's stupidity and Washington's stupidity, and it takes a lively imagination of Mr. Gorbachev's generosity to think they are attainable.

You, Mr. Kissinger, are forever saying that officials have to think about the consequences of their proposals, and in your column you are applying this principle to the president's proposals, but not to your own.

What would happen at the summit meeting if the president went back on his proposals and adopted yours? Maybe you will tell us in your next column.

Meanwhile, the president, George Shultz and Paul Nitze, unlike you and Mr. Nixon, are not attempting to settle this whole complicated problem in a single spectacular agreement.

They are trying to break a stalemate that has gone on for more than a generation. Like the early steps toward the unification of Europe, they are concentrating on the attainable rather than on the desirable, and hoping to build confidence in slow verifiable stages.

For the first time since the invention of the atom bomb, both sides are talking seriously about major cuts in the alarming stockpiles of nuclear weapons, and you dismiss it as worse than nothing.

Another point has to do not only with judgments but manners. If your proposals had been made to the president and the secretary of state in private — an option always open to you — nobody could object, but to make them in public at a critical point in the talks is at the least an act of discourtesy.

One has to wonder what you two would have thought when you were sitting in the Oval Office together if former President Lyndon Johnson had launched this kind of public attack on your policies and suggested that you were helping the Soviet Union and hurting your own country.

You undoubtedly would have rejected and resented their advice, and of course you are free to reject and resent mine.

The New York Times.

'I only count 85.'

Reuben's Tale: A Jump With General Taylor

By Joseph Laitin

WASHINGTON — We stood there, Reuben and I, looking a bit silly, waiting for our flight out of Acapulco, clutching wicker baskets, wearing Pancho Villa sombreros with loose black chin straps, red bandannas around our necks and multicolored serapes over the shoulder, when suddenly, turmoil. Sirens, screeching brakes, a motorcade, car doors flying open. Mexican generals poured out, scrambling into a single-file formation in the airport waiting room, standing stiffly at attention. In strode a tall, handsome soldier, bemedaled, immaculately dressed, ramrod straight, every inch the United States Army chief of staff.

General Maxwell Taylor walked briskly down the line of his Mexican hosts, bidding each one a crisp goodbye. As he neared the end of the line, anxiously followed by his aides, he seemed to fix on the two American tourists, his eyes narrowing. He shook the last general's hand, stared for a split second at my sombreroed companion with a puzzled look, his eyes squinting. Then, without so much as an outstretched hand, he said: "Reuben, what's become of you?"

It was the first time they had seen each other since D-Day, when the two of them, almost piggyback, had parachuted into Normandy, he the West Pointer from Kansas who had spent a lifetime training for this moment as commander of the 101st Airborne Division, and Bob Reuben, the nice Jewish boy from Brooklyn who had been declared physically unfit for military duty, invading Hitler's Fortress Europe as a $45-dollar-a-week Reuter correspondent.

When Maxwell Taylor died recently, I found an article he had written years ago for The Washington Post about those first hours in Normandy. His account was somewhat at variance with Reuben's, as often happens with old recollections of an eventful few hours.

Reuben told me his story as we flew back to Los Angeles after that bizarre

MEANWHILE

meeting in Acapulco. As I read the article from The Post, I realized that Reuben's personal story had never been recorded — even the Pentagon archives had no record of his having jumped with the 101st. Here is what he told me:

It was 1:30 A.M. when the green light in the cabin flashed. General Taylor was first out, the correspondent close behind. Reuben jumped with a homing pigeon, to get his first dispatch of a safe landing back to England, and a carbine, prohibited to a noncombatant by the Geneva convention. Reuben's theory was that when he encountered one of Hitler's legions, he was unlikely to be asked for press credentials. In a way, his decision to carry the weapon was fortunate, because Reuben turned his carbine over to General Taylor, who had lost his weapon in the jump.

Later, the 101st was hopelessly scattered over half of France. General Taylor could round up only a handful of his troopers, but nevertheless set out to engage the enemy. The ragtag band came to a farmhouse. An elderly farmer, attired in nightshirt and tassled nightcap, carrying a flickering candle, answered the rapid questions of General Taylor, who spoke fluent French. The Germans were stationed in a nearby town. The farmer showed the general where they were on his map, then asked the commander to wait. He returned a moment later and handed the general a rifle cartridge. "I've been waiting for this a long time," said the elderly farmer. "Do me the honor of using this tonight."

General Taylor set out for the nearby town, and Reuben took his leave, determined to get through the German lines to Utah beach; he had no idea of what had happened to his news-carrying pigeon. Miraculously, Reuben made it to the beach by midmorning, where he secured a ride to the USS Bayfield, anchored offshore and serving as the headquarters for "Lightning Joe" Collins, commander of the 7th Corps.

As Reuben boarded the ship, an army colonel spotted the screaming eagle patch on his sleeve. "Did you jump with the 101st?" he asked, incredulously. "We haven't had a word from them. You'd better come with me."

General Collins was poring intently over a map when the colonel coughed to get his attention: "This correspondent, sir, jumped with the 101st."

Lightning Joe whirled around. "Did Max make it?" he asked. Reuben gave a detailed account of the early-morning hours. When he finished, the general turned to the colonel: "Get this civilian the best damn breakfast the navy can come up with — and a typewriter."

The writer is the ombudsman of The Washington Post.

LETTERS TO THE EDITOR

Israel Is Ready to Talk Peace; to Whom Should It Talk?

Ambassador Mohamed Kamal's articles on how to make progress toward peace in the Middle East (*"A Jordanian Appeal: American Jews Can Help," April 20 and 21*) have that fanciful quality that makes it so terribly difficult to develop a realistic Arab-Israeli dialogue.

Israel has asked, even begged, for peace talks with its neighbors since the state was created almost 40 years ago. Instead, it was assaulted in 1948, in 1967 and in 1973. Acts of terrorism have occurred throughout these 40 years. Is this a country that needs "reassurance" to make a "real move toward peace"?

The American Jewish community has much to do to help assure Jewish survival and security, both in Israel and elsewhere in the world where Jews are threatened. One thing it need not put on its agenda is "to move Israel toward peace." The peregrinations of Foreign Minister Shimon Peres, the offer of peace by Israel after each Arab aggression, the surrender of all of Sinai for a peace that remains "cold" only because Egypt wants it that way — all this and much more demonstrate that Israel needs no encouragement from American Jews to search for peace.

And what is the "anti-Arab reflex in the American mind"? If there is a feeling of disappointment and resentment among Americans in relation to the Arab world, it is not toward the people. It is toward certain governments of Arab countries that excuse or sponsor terrorism that kills innocent people, and which, like the kingdom of Jordan, continue to deny Israel's right to exist.

Such feelings need no encouragement. They are a response to actions for which Arab organizations, including the PLO, proudly assume responsibility. Against this background, it is ludicrous to say that Israel pursues "a policy that has sustained conflict." Nor need Israelis, and Jews around the world, go back to the Holocaust to recognize that real threats exist. They need only go to the latest terrorist incursion in Galilee or to countless other such incidents.

If Mr. Kamal can come up with a responsible partner in the Arab world to discuss peace with Israel, as Anwar Sadat did, he will find Israel ready. That is all it takes — no more and no less.

ROBERT GOLDMAN.
Director, Anti-Defamation League of B'nai B'rith, Paris.

On the Other Foot

In her very useful and sensible comment (*"The West Should Shed Its Fear and Strike an Arms Deal," April 18-19*), Flora Lewis mentions the old "We will bury you" shoe. This is actually a Russian proverb that translates as, "I'll still be around when you are six feet under." Nasty perhaps, but hardly threatening. It was silly statements like this that cost Nikita Khrushchev his job — he had become an embarrassment back home.

Nowadays the shoe's on the other foot. Many Western leaders have become downright embarrassing as they cling to their nuclear security blankets.

LEE WEINGARTEN.
Geneva.

Those Significant Others

James Reston stirs an interesting thought in "Gorbachev Impresses Some; Others Are Worried" *(April 7)*. In his list, the "some" whom Mikhail Gorbachev impresses now hold precarious public offices; the worried "others" are all former officials. I wonder: Which folk are likelier to see clearly, and to say what they think?

Although the "outs" may have been removed by an impatient public; although sulky former officials may perversely enjoy pointing to the folly of their successors; although time advances, reshuffling the political deck — despite all, the "outs" may, however belatedly, understand a great deal.

MARK SHAPIRO.
Boulogne-Billancourt, France.

What Scotland Is Not

Regarding "Unequivocally Scottish" (April 21) by J.B.S. Montgomerie:

The letter writer asserted that Scotland is a separate country within the United Kingdom. But if Scotland is a separate country, who represents it in the United Nations? Why do third-country nationals, when traveling from England to Scotland, not need visas?

Yes, Scotland prints its own money (different in design but not in value from English money) and runs its own educational, judicial and religious systems. Except for the former, these powers are little different from those enjoyed by the states in the United States.

Nevertheless, the *country* is the United Kingdom. Scotland is not a country.

MICHAEL V. MCCABE.
New Delhi.

Let Feds Blow the Whistle

The editorial on paying college athletes *(March 31)* must have been written by someone who has given little thought to the consequences, who has never flexed a knee in college sports, and who does not understand fanatical alumni.

The proposals were sketchy. Is there to be a draft or free-for-all bidding? Do 17-year-olds employ lawyers or agents, or does dad do the negotiating? Who is to decide how much to pay?

How are teams to be capitalized? Would part of the funds still come from student tuitions? Would bankruptcy be a possibility? Could players be sold to avoid it? Presumably, they would have to be liquidated as assets afterward.

There is a better solution. College sport is a matter of interstate commerce. A small federal task force investigating infractions of laws that would require athletes to be treated the same as other scholarship-plus-laundry-money students would do the trick. If conspiring coaches, alumni, players, deans and presidents were hit in their pocketbooks or jailed, the problem, except for the usual hard cases, would dry up and blow away.

WAYNE KRUER.
San Sebastián, Spain.

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GENERAL NEWS

Reagan Loyalists in Foreign Service: Often Outspoken, Sometimes Competent

By John M. Goshko
Washington Post Service

WASHINGTON — Early last year, Peter E. Voss, then vice chairman of the U.S. Postal Service Board of Governors, decided that he wanted to be an ambassador. Obliging White House officials, after scanning the list of pleasant European capitals, told the State Department that they thought the Netherlands was a country well-suited to Mr. Voss' ambitions.

The department protested that Mr. Voss, who was co-chairman of Ronald Reagan's 1980 Ohio campaign, did not have the best qualifications to represent the United States in a country where it has important strategic and trade interests.

The White House rejected these protests and proceeded with its plan to nominate Mr. Voss for the ambassadorship. Then it was discovered that Mr. Voss had a prior engagement, with a federal judge.

In May, a major investigation of Postal Service contracting illegalities resulted in Mr. Voss pleading guilty to charges of expense fraud and accepting kickbacks. He was sentenced to four years in prison and fined $11,000.

Until now, the administration has managed to keep quiet the fact that it almost sent a soon-to-be-convicted felon to represent the United States in an important West European capital. The incident illustrates what has become an increasingly contentious issue within the Foreign Service.

That is the feeling that the Reagan White House has abused its prerogative to name ambassadors by filling 40 percent of the nation's 148 diplomatic missions around the world with political loyalists rather than career diplomats.

"Some Foreign Service officers say the White House has unfairly blocked deserving professionals from promotion and devalued the quality of U.S. representation overseas.

The Voss case was not an isolated incident. Within days of Mr. Voss' guilty plea, the administration was embarrassed by the forced resignation of William A. Wilson, a political appointee who had been serving as Mr. Reagan's emissary to the Vatican.

Mr. Wilson left after it was revealed that he had engaged in a number of indiscretions, including a secret 1985 meeting with the Libyan leader, Colonel Moammar Gadhafi, at a time when the administration was pressuring its European allies to isolate Libya.

Third in a series.

Sources familiar with the case said that, for reasons never made clear, Mr. Wilson, a former oil company executive and longtime friend of Mr. Reagan, repeatedly ignored direct orders from superiors in Washington to break off unauthorized contacts with Libyan officials.

Instead, the sources said, he apparently exploited his relationship with Mr. Reagan to mislead Italy's foreign minister, Giulio Andreotti, into thinking that the White House wanted the Italian government's help in arranging the meeting with Colonel Gadhafi.

Another well-connected Reagan loyalist, Faith Ryan Whittlesey, fared somewhat better. She has retained her post as ambassador to Switzerland, but only after Attorney General Edwin Meese 3d decided there was not sufficient evidence to pursue a criminal investigation of charges that she misused an $80,000 embassy fund raised from private donors and hired the son of one donor for a $62,400-a-year job at the embassy.

The Whittlesey case led to Secretary of State George P. Shultz banning solicitation and use of privately donated funds to cover embassy expenses such as entertaining.

Of course, some of Mr. Reagan's political ambassadors have performed competently, and at least one — Arthur F. Burns, former chairman of the Federal Reserve Board — won high marks from professional diplomats for his skillful representation of the United States during four years in West Germany.

Appointees whose qualifications are limited to their connections or the size of their election contributions are not a phenomenon unique to the Reagan administration.

Jimmy Carter, who made a special effort to appoint ambassadors of distinction and set up a special review panel to assess their credentials, reserved a number of embassies for Georgia friends and people who had been generous to his campaign.

Many political appointees have been content to enjoy the ambassadorial life and leave the diplomatic work to their Foreign Service subordinates.

However, the Reagan administration has also been noted for a goodly number of political ambassadors who have seemed surprised that the countries to which they are accredited do not do things according to Reagan precepts and who have not shrunk from publicly scolding foreign governments about what they perceive as shortcomings.

A number of ambassadors over the past six years, such as John Gavin in Mexico, Evan G. Galbraith in France, Paul H. Robinson Jr. in Canada, Curtin Winsor Jr. in Costa Rica and David B. Funderburk in Romania, have spent much of their time in noisy feuds with the press and officialdom of their host countries, and, when the State Department tried to rein them in, with their superiors.

In October 1983, when the Reagan administration was weighing whether to invade Grenada, it wanted to know if the action would be supported by other island states of the eastern Caribbean. But the ambassador to Barbados and the neighboring islands, Milan D. Bish, a former Nebraska state highway commissioner, was regarded, one official said, as so confused about the situation that neither the State Department nor the Pentagon was willing to depend on him.

Mr. Shultz sent a career diplomat, Francis J. McNeil, on a secret mission to sound out the views of regional leaders.

A year earlier, when the Falklands war broke out between Argentina and Britain, Mr. Reagan's ambassador to London, John J. Louis Jr., an heir to the Johnson's Wax fortune, was traveling in the United States. Several State Department officials say that the department, which wanted to order him back to his post immediately, was reminded that, while he was seen as amiable, he was not highly regarded by the British as a diplomat.

On reflection, the officials said, it was decided that the wiser course was to keep Mr. Louis out of London until the crisis had wound down, leaving the diplomacy to his highly regarded deputy chief of mission, Edward J. Streator Jr., a career diplomat.

In the past, such situations would cause career officers to do little more than grit their teeth and privately remind one another of the celebrated Foreign Service story about Malcolm Toon, an outspoken retired ambassador. Commenting on Mr. Louis's nomination, Mr. Toon described him as a man "whose only qualification for the job is the fact that he speaks English."

During a meeting several years ago, the story goes, the admiral commanding the U.S. Mediterranean fleet told Mr. Toon that he wanted to become an ambassador after he retired from the navy. Mr. Toon shot back that after his retirement from the Foreign Service he wanted to command an aircraft carrier.

The admiral said that was ridiculous, because years of training and experience were necessary to acquire the highly specialized skills necessary to run a carrier. Mr. Toon replied: "That's how it is with an embassy."

In November, Ronald I. Spiers, undersecretary of state for management, provoked the ire of the White House staff by making the same point in a blunt speech to the National Academy of Public Administration.

Mr. Spiers said that, since 1981, when 75 percent of U.S. ambassadors were career diplomats, the figure had fallen to 60 percent.

"This is a low point for the past four decades," he said. "A net reduction of 23 senior positions filled by career personnel since 1981 makes managing the Foreign Service difficult indeed."

"Recently," he said, "we have lost a number of superb officers who spent a lifetime preparing for senior appointments, only to see those prospects dissolve at the last minute."

He charged that the quality of many administration political appointees "makes it painful to recognize the lack of respect this implies for our profession."

"A disturbing trend," he concluded, "is the use of Foreign Service positions for political patronage. I believe this will have a corrosive effect on the career service. Years ago, generals were commissioned on this basis. No one today would argue for appointing a political supporter to command the 24th Infantry Division, although in peaceful times, and with a good deputy, the division would probably survive as well as our embassies."

Elaborating later in an interview, Mr. Spiers said: "The White House has made clear that they don't want me talking about this, but it's not really possible to run a rational career personnel system when you don't know how many top jobs will be available for officers to aspire to. I'd almost rather be told that the Foreign Service will get only a flat 50 percent of ambassadorial appointments. Then you'd at least have some parameters to work within.

"I have 25 ambassadors coming up for reassignment this summer, all of them good people, and no jobs for them because 23 more senior positions in the department and abroad are being held by outside political appointments than was the case in January 1981. The blockage that this creates has a cascade effect down the ranks that's not helpful to retaining younger officers who see a likelihood that their career aspirations will be blocked."

Robert H. Tuttle, the White House personnel director, denied that the Reagan administration had appointed unqualified people to ambassadorships and insisted that many of the president's political appointees were fluent in foreign languages and had extensive knowledge of the countries to which they were accredited.

"They got their jobs because they are qualified and not because they are friends of the president. There are people outside the Foreign Service who know about foreign affairs, and it's not right to infer that appointment of a few well-qualified outsiders should be a cause of poor morale in the Foreign Service."

NEXT: Blacks and Women

Zimbabwe's Whites May Lose Parliament Seats

By Sheila Rule
New York Times Service

HARARE, Zimbabwe — Prime Minister Robert Mugabe is moving cautiously to abolish guaranteed white seats in Parliament in his drive to turn Zimbabwe, a multiparty democracy, into a one-party state.

In 1980, when Southern Rhodesia became independent and was renamed Zimbabwe, the minority whites were guaranteed 20 seats in the 100-member Parliament for seven years to assure them of at least a residual political role in a land they once ruled.

The seventh anniversary of Zimbabwe's independence this month meant that the guarantee of white seats, contained in a British-drafted constitution, could be abolished with the support of 70 members of Parliament. There is virtually no doubt in Zimbabwe that Mr. Mugabe will gain those white seats. The only questions are when and how.

The suspension from Parliament earlier this month of Ian D. Smith, the last white prime minister of Rhodesia, effectively ended a political career that spanned nearly four decades and foreshadowed the demise of the white seats. Mr. Smith fought independence by leading his white followers into a fierce conflict with black nationalists.

He was suspended after he called Zimbabwe's decision to impose economic sanctions against South Africa "stupid," and urged Pretoria to fight international pressure to dismantle apartheid. White independent members of Parliament supported the suspension.

Mr. Smith, 68, who has remained outspoken and unrepentant, is portrayed by many whites in the country as discredited and disruptive to race relations.

Mr. Mugabe has long said that the guaranteed white seats gave whites representation far out of proportion to their numbers. There are 110,000 whites in the country of eight million people.

The prime minister's Zimbabwe African National Union-Patriotic Front has 66 seats in Parliament and is confident that it can get the four votes needed to abolish the white seats, perhaps when Parliament reconvenes in June.

It had been thought that talks intended to merge the governing party and the Patriotic Front, the minority party of Joshua Nkomo, the prime minister's longtime political enemy, would easily provide the 70 votes needed. But the prime minister recently said those talks had failed.

Government officials said they were confident that some supporters of Mr. Nkomo, along with some of the five white independent legislators and the sole white member of Parliament in Mr. Mugabe's party, would vote to eliminate the white seats.

The prime minister has said he wants to set aside the white seats immediately, but he appears to be moving cautiously.

Zimbabwean and foreign political analysts said Mr. Mugabe must weigh several concerns. Most whites are politically apathetic, they said, but it would be in the prime minister's interest to keep at least some "token" whites in Parliament in recognition of the minority's economic dominance.

It also would show that Mr. Mugabe was continuing his policy of racial reconciliation, the analysts said, and it would play well before foreign audiences.

"The prime minister is clear that he doesn't want to exclude whites altogether," said a government official who is a close associate of Mr. Mugabe. "He doesn't want to be seen as practicing racism."

The government must decide how the 20 seats, once they are vacated by whites, would be filled. There must be a full 100-member Parliament until 1990, when the constitution may be rewritten and the next election is scheduled.

An early general election has been all but ruled out, according to government officials, because it would require expensive administrative tasks. One official said the justice minister was considering an electoral college made up of black members of Parliament that would elect legislators, black or white, to the 20 seats.

Another option, the official said, would be to have the 20 seats represent special-interest groups such as agriculture, business and mining.

Few whites appear to be concerned about the coming transition, having anticipated it for some time. Life for many whites is still sweet by any standard in a country with socialist goals but capitalist underpinnings.

After independence, perhaps 100,000 whites left the country. Now they are slowly returning, and many acknowledge that their worst fears about a black-ruled country have not been realized.

The swimming pools and sprawling homes of the wealthy white elite, who are waited on by black servants, highlight the economic power whites retain.

These whites have foreign bank accounts and large commercial holdings. They see their political future not in voting but in lobbying government ministries that oversee their special interests.

Another white culture in Zimbabwe, which includes blue-collar workers, is struggling to make ends meet. These whites are more conservative and apparently felt threatened by the black government.

But they now appear resigned to it, and the talk these days among both the elite and the working class whites is not so much about politics but about the rising cost of living, a surge in crime and the ailing economy.

DOONESBURY

SCIENCE

Enlightening Physics Failure

By Malcolm W. Browne
New York Times Service

ONE hundred years ago this month, two experimenters in an Ohio basement gently rotated a carousel of mirrors floating in a tub of mercury and inadvertently smashed the reassuring vision of a clockwork cosmos that had prevailed since the time of Sir Isaac Newton.

Physicists and philosophers have anguished over the experiment ever since, but one by one, nearly all have been compelled to abandon cherished theory in the face of its evidence.

The experimenters, Albert Abraham Michelson and Edward William Morley, set out to prove the existence of "ether" — an intangible and invisible fluid thought by most 19th-century scientists to permeate the entire universe. Michelson and Morley expected to demonstrate that ether speeded or slowed light waves; if this were the case, the ether would represent a universal standard against which the positions and motions of everything in the universe could be measured.

Much to their consternation, they failed. But their failure was pivotal. A new generation of scientists, struggling to explain the shocking experiment, eventually demonstrated that nothing in the universe has absolute reality, and that causality itself ceases to operate at the microscopic level of existence.

The experiment was critical to Einstein's revolutionary contention that there is no such thing as a universal yardstick for space and time. So last week, scientists, educators and artists gathered in Cleveland to begin a six-month observance of what many scientists regard as science's most crucial failure.

Many experimenters before Michelson and Morley had demonstrated that light behaves in some ways like the waves that traverse bodies of water or the sound waves that travel through air. Reasoning by analogy, most of the world's leading scientists had therefore concluded that some kind of invisible medium analagous to air or water — the ether — must provide a medium for waves of light to propagate through space.

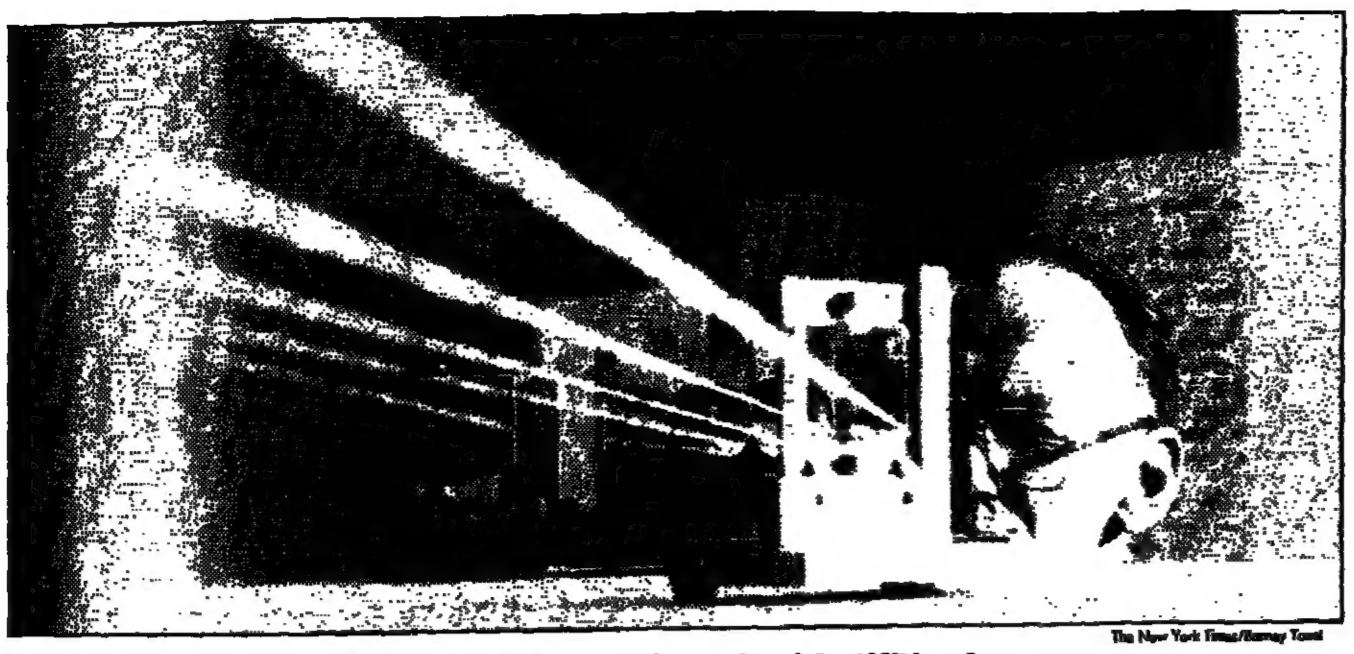
The relative movement of the ether ought to have an effect on the speed of light passing through it, the theory went.

To test this idea, Michelson and Morley built a superbly tuned instrument designed to compare the speed of light moving in the same direction as the Earth with the speed of light moving in a perpendicular direction. If the ether were to affect the speed of light waves, a slight but detectable difference should be evident in the speed of light moving along perpendicular paths.

Michelson later explained the experiment to his daughter Dorothy while she was a child, and she recounted his explanation in "The Master of Light," her 1973 biography of her father. Michelson compared the perpendicular light beams in his experiment to swimmers racing on a river.

"Two beams of light race against each other," he told his daughter, "one struggling upstream and back, while the other, covering the same distance, just crosses and returns. The second swimmer will always win, if there is any current in the river."

Michelson had begun work on the problem years earlier after an adventurous childhood. He had been born in Prussian-occupied Poland in 1852, the son of a young merchant who was subjected to the anti-Semitic persecution of the period. At the age of three he emigrated with his family to the United States, where the Michelsons first settled in a gold-rush town in Nevada and then in San Francisco.



The New York Times/Barney Towel

Prof. Donald E. Schuele with a replica of the 1887 interferometer.

Michelson began his study of physics at the Naval Academy at Annapolis, where he earned a degree and a commission.

In 1880 he obtained leave from the U.S. Navy to pursue physics research in Germany, and in 1881 at Potsdam, Michelson conducted his first attempt to measure the supposed effect of the passing ether on the speed of light.

Michelson's invention was an optical device called an interferometer, in which a beam of light was split into two parts which followed separate paths and were then brought together into a telescope, where the experimenter could observe the effect.

The technique, which Michelson refined in the 1920s to make the first measurement of the diameter of a distant star, is now used routinely by astronomers.

Since light travels in waves, the combination of two or more beams of light waves results in interference; when the crests of two waves coincide, the result is a new crest representing the sum of the smaller crests. Two troughs produce one doubly deep trough, while a crest superimposed on a trough results in a null point, in which the wave is flat.

When two beams of light from the same source are made to travel separate paths of virtually identical length, their recombination results in a pattern visible through a telescope of vertical bright and dark stripes called "fringes." The slightest alteration in the distance of either light path or of the speed of one of the light beams throws the light waves out of phase, changing the pattern. Michelson lined up his apparatus so that one light beam would travel in the same direction as that of the Earth, while the other light beam would travel perpendicular to it. By turning the apparatus Michelson hoped to detect shifts in fringe patterns that would reveal the effect of the ether.

Albert A. Michelson.

Case Western Reserve University Archives

Edward W. Morley.

He found no effect at all, but attributed his failure to excessive vibration and the inadequate sensitivity of his instrument, and he resolved to try again. In 1882 he was appointed professor of physics at the Case School of Applied Science in Cleveland, where he met Edward Morley, professor of chemistry at nearby Western Reserve University.

Michelson and Morley began building a new version of Michelson's 1881 Potsdam experiment. In its Cleveland incarnation, the two parts of the split light beam were made to travel much longer perpendicular paths than in the earlier experiment. Errors caused by vibration were virtually eliminated by mounting the entire array of light source, beam splitter, 16 mirrors and observing telescope on a two-ton sandstone block. This, in turn, was mounted on a wooden turntable, and the entire unit was floated in a huge vat of mercury, isolating the experiment from all ground vibration.

On April 17, 1887, Morley wrote to his father to say that the new experiment had begun, "to see if light travels with the same velocity in all directions." The experiment was exhausting work for the two scientists, they later reported. At the start of each observation period, they would give the mirror array a shove to set it turning on its axis in the mercury bath, and the inertia of the massive block would keep it rotating at about six revolutions per minute for the next half hour.

During this time, Michelson and Morley took turns walking around the mercury vat, eyes glued to the observing telescope on the rotating platform, taking care not to disturb the rotation by touching anything on the platform.

They continued the experiment over the next three months, making their final observations on July 12, 1887. At no time did they detect any change in the speed of light.

The Michelson and Morley collaboration ended the following year, although both scientists separately conducted new variations of their experiment, always with negative results. Michelson was apparently so depressed by the failure of the experiment, his daughter later wrote, that he declined even to mention the experiment at a meeting the following year of the American Association for the Advancement of Science. "He may have felt a premonition that his experiment had put an end to the mechanical world with which he was familiar," she wrote.

IN BRIEF

Pluto: Is It a Planet or an Asteroid?

WASHINGTON (NYT) — Pluto is the smallest planet in the solar system, a careless wanderer that is usually the farthest planet from the Sun, a heavenly body that many people think was named after a Walt Disney character. Now Pluto is facing an identity crisis, with some astronomers suggesting it is not a planet at all.

Among the proponents of a move to lower Pluto's designation from small planet to large asteroid are Brian Marsden, director of the Smithsonian Institution's Astrophysical Observatory in Cambridge, Massachusetts, and Frank Cooper, director of the Burke Baker Planetarium in Houston. Opposing the change are astronomers at the United States Naval Observatory in Washington and, not unexpectedly, Clyde W. Tombaugh, who discovered Pluto in 1930. Mr. Tombaugh, emeritus professor of astronomy at New Mexico State University, said Pluto was much larger than the largest asteroid and also had its own satellite, like the Earth's Moon. "Asteroids don't have satellites," he said. Mr. Cooper said recent discoveries had shown that Pluto was even smaller than earlier thought, perhaps 1,600 miles in diameter rather than 2,500, and that it was a lot less dense than had been calculated.

Terminating Dangerous Pregnancies

LONDON (NYT) — Ectopic pregnancies, in which the fertilized egg develops outside the uterus, have been successfully terminated in nine women without surgery, using direct injection of prostaglandin into the oviduct, according to the British medical journal The Lancet.

In the most common form of ectopic pregnancy the fertilized egg, instead of descending into the uterus, implants itself in one of the ducts leading from the ovaries to the uterus. Unless removed or discharged, its development can rupture the tube, often resulting in the woman's death.

Standard practice is to remove the tube, occasionally with its associated ovary, but the Lancet report noted that this procedure "is associated with a considerable risk of subsequent infertility as well as with the general hazards of abdominal operations." In the new procedure, reported by obstetricians at the University of Göteborg in Sweden, a small amount of prostaglandin F is injected directly above the implanted embryo. The prostaglandins, to varying degrees, induce uterine contractions. They have been used to aid in labor and also to induce abortion.

Reducing Risk of Cervical Cancer

LOS ANGELES (UPI) — Women who use contraceptives that block the cervix can dramatically reduce their risks of developing cervical cancer, a malignancy that probably is triggered by a sexually transmitted virus, an exhaustive study has shown.

Scientists at the University of Southern California, who studied 400 women, found that use of so-called barrier contraceptives — condoms, diaphragms, sponges and spermicidal foams, jellies and creams — cuts the risks of cervical cancer by more than 90 percent.

Dr. Lowell Schnipper of the Harvard University School of Medicine, who has investigated the role of viruses in cancer development, said the most likely culprits in cervical cancer are a few strains of the papilloma virus.

A Fly in Lifesaving Spider's Clothing

WASHINGTON (WP) — A rare form of mimicry in the animal world, in which a prey species has improved its odds of survival by copying the appearance of its predator, has been discovered by Canadian biologists: a species of fly with wing markings that look like spider legs.

By waving its wings a certain way, the fly can make itself look like a walking spider, thereby discouraging attacks from real spiders. The researchers call the survival strategy "a sheep in wolf's clothing."

Other forms of mimicry are much better known. These include the reverse strategy, or the wolf in sheep's clothing. One example is a small, predatory Pacific fish that looks like the innocuous and helpful cleaner fish. Cleaners pick parasites from bigger fish that drop by their territories to avail themselves of the service. The mimic has the same markings and swimming motion but when a big fish stops by to be cleaned, the imposter takes a bite out of its fin instead.

هكذا من الأصل

TURKEY

INDUSTRY, FINANCE AND TOURISM

Under the premiership of Mr. Turgut Özal, Turkey has gone through four years of major economic reconstruction. Standing at the gates of Europe, and with one of the highest growth rates in the industrialized world, it has recently applied for full EEC membership.

NOW that it has applied for full EEC membership, Turkey, which stands astride Europe and Asia, is a potential industrial and agricultural force that has to be considered by its future partners. It is about to become the economic powerhouse of the southeast Mediterranean and is already the military guardian of NATO's regional flank.

Many Turkish businessmen say their country will make a positive contribution to the EEC, even in the agricultural sector, and not simply take subsidies and handouts. "This is really a rich country and we have plenty to offer. We are not like some of the poorer Mediterranean regions," said one industrialist.

As the Turkish Premier, Mr. Turgut Özal, a proponent of free trade, says: "We don't want more aid, but we do want more trade."

Since Mr. Özal began a great liberalization policy and started to turn the hidebound state industrial sector upside down four years ago, Turkey has taken on a new, almost unrecognizable aspect, confounding many outside the country.

Turkey is now on a growth cycle in virtually all sectors of manufacturing and industry. When major irrigation schemes in the southeast of the country are completed, agricultural production is expected to triple.

Last year, it had one of the highest growth rates in the world — 9.2 percent, compared to 6.3 percent in 1985. It was the highest in any OECD country. This year the target is just over 6 percent, and there is every hope this will be achieved. Inflation has been slashed from 100 percent in 1980 to a little over 30 percent last year. By the end of 1987, it is hoped that the rate will be further lowered.

Turkey's per capita income of $1,000 means that few Turks are well off as individuals; and unemployment is high — more than 2.5 million.

The emphasis today is very much on exports — from textiles to glass to machinery and agricultural products. Last year, exports were worth more than $8 billion, with manufactured goods making up 75 percent of the value. During the first ten months of last year, imports totaled just over $9 billion, less than one percent more than the corresponding period in 1985. Exports for the same period were $5.9 billion. Workers' remittances have been steadily falling, and were $1.2 billion during the first nine months of 1986.

The financial sector, with more than 50 banks, has been going through a period of restructuring and consolidation due to the culmination of non-performing loans — many to the state industrial sector — during the early and mid-1980s. Now being weaned into profitability, the banks are becoming better managed and more internationalized. In order to boost the export trade, a strong emphasis is being put on trade finance.

Turkey is forging ahead as an industrial nation, and actively developing its tourist industry, which is now the least developed in the Mediterranean (2 million visitors last year). The government recently embarked on a major program to build and improve resort facilities, especially on the Aegean and Mediterranean coastlines.

Mr. Özal's free market policies have had a rapid and profound effect on restructuring the country. Since his election in 1983, he has introduced free zones, put state corporations under the microscope, ordered major investments in communications and transportation infrastructure, put the squeeze on poorly run banks and, most important, tried to get a clean bill of health from the International Monetary Fund and the World Bank as he pushes growth rates up and inflation down.

In order to attract more foreign investment, vital in order to modernize the industrial sector, much of which still rumbles along on outdated technology, he has introduced BOT — build-operate-transfer — for big infrastructure projects. BOT schemes include the second Bosporus Bridge, now nearing completion (a third bridge is to go ahead as well), some thermal power stations and a big tourist development project.

Under the BOT scheme, a bidder for a contract also raises the financing, operates the project and after a period of usually 15 years, can sell off its share in the joint venture, probably to the local partner.

One of the biggest boosts to manufacturing and the economy is the 25-year bilateral trade agreement signed with the Soviet Union in 1984. Under the deal, the Soviet Union will deliver 750 million cubic meters of gas beginning later this year, providing Turkey with a massive injection of cheap energy. This amount will rise to 6 billion cubic meters by 1993 and will be paid by offset trade — either services, such as construction, or manufactured or agricultural exports.

The Bosporus bridge linking East and West.

Mr. Turgut Özal, the Turkish Premier, a proponent of free trade.

Turkey has limited natural oil resources, hence the recent confrontation with its Greek neighbor in the Aegean. Greece has eyed Turkey's application to join the EEC coolly, as the Turkish economic machine gears up and politicians and businessmen in Ankara and Istanbul try to reach a mutual understanding about what is best for the country.

Mr. Nuh Kusculu, chairman of the influential Istanbul Chamber of Commerce, commenting on the change in Turkish attitudes toward the EEC, says the spirit of the original EEC agreement that gave Turkey associated membership was not really understood. "Now, since we did proper studies after 1979, we understand the crucial necessity of belonging to the EEC," he says.

A more outspoken view comes from the KOC industrial empire where vice president Mr. Tugrul Kudatgobilik abruptly dismisses ill-informed foreign comment that Turks are Arabs, saying: "We have been living for the past four centuries in Europe, our mentality is European. It is not only the Treaty of Rome that gives us the right to belong to the EEC, but history itself also gives us the right. Our trade and investment link depend on Europe, 55 percent of our raw materials and imports come from Europe and we want to continue this way."

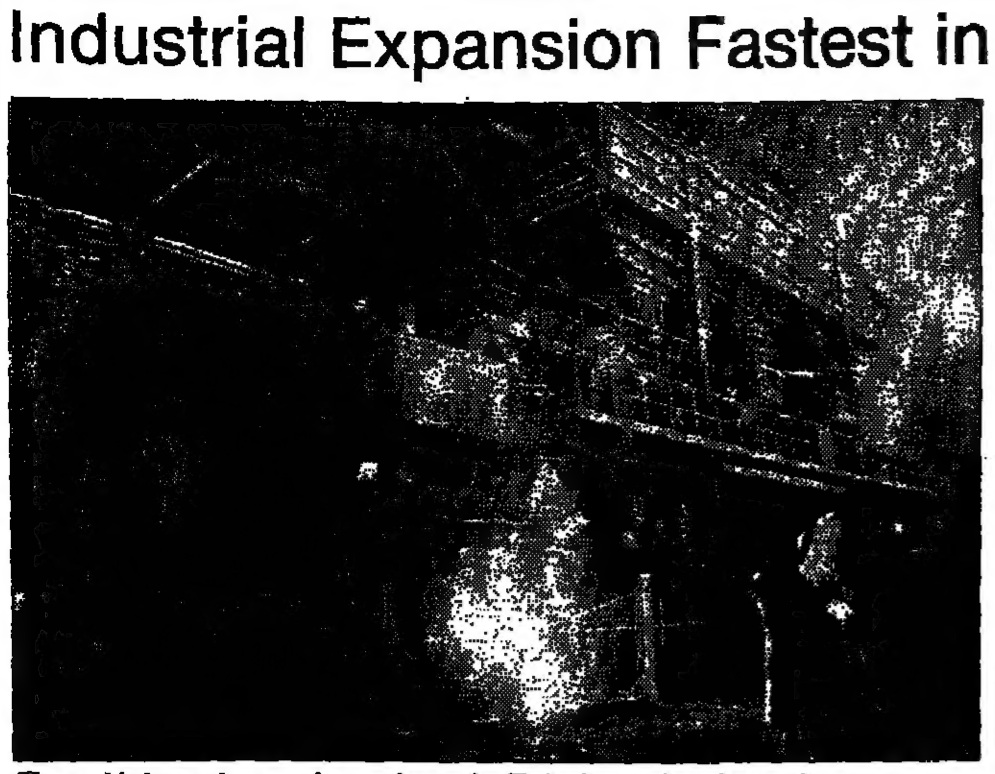
Many Turkish businessmen are dismayed at the somewhat medieval image that some Europeans have of Turkey. "We are certainly not just ignorant peasants," says one businessman.

Mr. Sarik Tara, chairman of Enka Holding Investments, a major construction group, says: "Turkey's greatest mistake is allowing Europe not to know us and not to realize our potential. Europe can serve us in many ways and we can

(Continued on page 8)

ADVERTISING SECTION

Industrial Expansion Fastest in OECD


The steel industry plays a major part in meeting Turkey's manufacturing requirements.

ANYONE who thinks of Turkey as a land of farmers where things have changed little since time immemorial, is badly out of date. The country has the fastest-growing manufacturing sector in the Organization for Economic Cooperation and Development (OECD) and is regarded as having an industrialized economy even though its per capita GNP is not much higher than $1,000.

First-time visitors to Istanbul and Ankara are usually surprised by the bustling industrial world they find with its growing private sector. Turkish industry consistently grows at annual rates of more than 5 percent. It grew by an estimated 9.2 percent in 1986, and by 6.3 percent in 1985. The 1987 target is 6.4 percent.

A glance at the structure of Turkish industry reveals a paradox. About 60 percent of all manufacturing industries are still owned by the state (despite plans for some privatization) and more than half of fixed capital investment comes from the public sector. But Turkey's growth and its new-found success at exporting come from the private sector. Most private sector corporations are basically family groups, with the giants nearly all based in Istanbul. Though there are about 15 major groups, the KOC and Sabanci industrial empires dwarf almost everyone else on the market.

Turkish industrial products are now remarkably diversified. The switch away from local market orientation to the export market in 1980 came at an opportune moment. Turkish producers sell more than 2,000 industrial goods ranging from motor vehicles to machinery, ceramics, glass, cement and processed foods. Turkey's geographical position and its relatively low labor costs give its industries a competitive edge in Middle Eastern and some Eastern European markets.

The lead sector remains textiles. Again, the outside world still has not realized how strong the Turkish textile industry is. In 1985, Turkey earned $2.2 billion from textile exports, and has established itself as the main supplier for the European Community, a relationship which may one day be the main prop for closer political ties. Turkey is the only textile supplier for which the EEC has recognized annual growth quotas of around 6 percent on average.

The biggest textile producer is the Sumerbank, now being reorganized by its general manager, Mr. Erkan Tapan. Other leading firms are Altinyildiz, Soktas and Mensucat Santral.

Like Sabanci and KOC, the other major groups — Anadolu Endustri Holding, the Cukurova Group, Yashar Holding, to name a few of the largest — tend to have a finger in every sector from the automobile industry to food and drink and to tourism. All except AEH own at least one bank. Cukurova owns three.

None of these is as large as Tupras (the state-owned petroleum marketing company) or TEK (the electricity authority). But as suppliers who have done business with both the private and public sectors in Turkey will confirm, there is a world of difference between the two.

Turkish industry has been undergoing major and often difficult changes since around 1980, receiving only limited assistance from the state. Demand has been cut in the domestic market. Interest rates have risen from 30 to 50 percent above inflation — no one quite knows what banks charge for their borrowing — but it seems clear that until very recently, funds were only available at 70-80 percent, even if costs are now finally falling.

Export markets have had to be conquered with little expertise (though it seems to have been quickly acquired) and with no export insurance facilities. The major assistance has been tax rebates on export earnings, something GATT is pressing Turkey to phase out, and a rule that the equivalent of up to 20 percent of export earnings in a firm's profit is exempt of corporation tax.

In addition, many Turkish private sector corporations complain about unfair competition from the state sector and capricious price increases for raw materials without regard to market conditions. Hikes of 66 percent with no warning are not uncommon. And state sector raw materials may be of doubtful quality or delivered late.

"I don't think Western businessmen appreciate the handicaps we have to work under every day," says the president of one large Istanbul corporation. "If they had sudden power cuts, bureaucratic interference, impossibly high interest charges and a virtual absence of skilled labor, they would feel that a 15 percent export tax rebate didn't go very far to offset the disadvantages they faced."

But in spite of these difficulties, Turkish private sector industries have mostly managed to live with the turnaround of the 1980s. There have been a few bankruptcies — some of which have helped pull down banks with them — but not as many as seemed likely five years ago.

"Don't underestimate the difficulties the corporations face," warns an Istanbul industrialist. "Many of them are very short of working funds and things are still difficult in a few cases. If you want to see who is healthy, take a look at the export performance of firms."

The market leaders are now concentrating on areas they barely touched a few years back — marketing, research and development (where Turkey still lags far behind its competitors). Though grumbles are numerous and criticism of Mr. Özal is not uncommon, his medicine is clearly working. — **Thomas Faulkner**

(Continued from page 7)

serve Europe in return. It is essential that we join the EEC."

Mr. Nejat Eczacibas, head of one of Turkey's largest pharmaceutical groups and a perceptive internationally-minded businessman, firmly believes in joint ventures and the transfer of technology in order to keep abreast of developments. "Just now Turkey is ready to take on board more technology, although it is not always a question of 'know-how' but sometimes know-who," he says. He too is a keen supporter of the EEC. "We are absolutely ready to join. We have no alternative. We cannot look to the East, and integration with the European markets is our only way ahead," he adds. He does not foresee any real difficulties over agriculture. "We have vast natural resources in agriculture, and what the rest of Europe doesn't have, we have, and vice versa," says Mr. Eczacibas. He believes that Turkey could readily absorb many of the EEC's surplus agricultural products such as from the dairy sector.

Turkey is one of the world's largest wheat producers; it also grows tobacco, tea and many kinds of nuts not produced in any large quantity by EEC countries. Some economists argue that Turkish agricultural exports on a swap basis might help smooth out the farm produce anomalies that are the despair of the EEC commission in Brussels.

More European than Asian, more Asian than European; a bridge between Asia and Europe, or a bridge between Europe and Asia; the crossroads between East and West — such descriptions of Turkey abound. But the feeling today is very definitely biased towards Europe, especially in Istanbul, the commercial heart of the country. — **Lee Voysey**


One of the gateways of the Dolmabahce Palace overlooking the Bosporus.

ADVERTISING SECTION

Banking Comes of Age

TRADITIONALLY, the man in the street in Turkey has regarded banks with suspicion. Most people prefer to deal in cash, according to Mr. Bülen Berker, deputy general manager of Türk Ekonomi Bankasi. "They are not used to checks. They don't trust them." Turkey is generally a cash-based society and old habits are slow to change.

This helps to explain why retail banking is still in its infancy. Another reason is that, until recently, deposit rates were comparatively low and inflation high. Last year, it was quoted at 32 percent. The target this year is to bring it down to 20 percent. Consequently, the banks have concentrated on building up a sound base for trade finance, crucial for Turkey's exports and the domestic expansion of industry and agriculture.

Turkish banks are also trying to recover from a rash of non-performing loans and bad debts, mainly incurred before the present government administration. For some time now, there has been a continuing shakeout of some of the weaker banks.

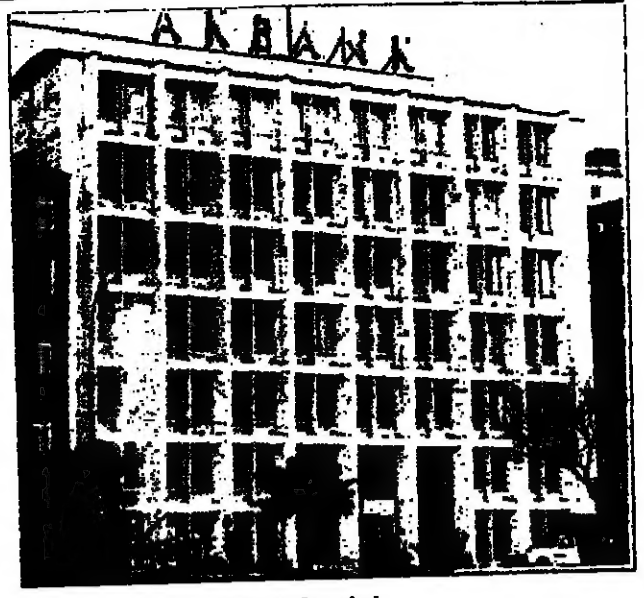
The most recent rescue operation has been with Töbank, the teachers' bank, for which the government is canvassing would-be foreign partners. Töbank, which began operating in 1959, is the sixth largest private bank. Its development has been very much the brainchild of Professor Sait Kemal Mimaroglu, one of its major shareholders. Töbank has been placed under the temporary trusteeship of three other banks and an insurance group, while the Central Bank looks for new partners, several of which are said to be standing in the wings.

Although Töbank's position has caused concern in banking circles, it also illustrates the fundamental change being forced on domestic banks by Prime Minister Özal's protégé at the Central Bank (itself undergoing a change of name), Mr. Rustu Saracoglu, its vice-governor, regarded by most as a "bankers' man." The Central Bank is making it clear that banks must take care of their own affairs, spruce up their management, check their assets, emphasize quality services, scrutinize their portfolios, improve their deposits and develop more off-balance sheet services.

With prospects of EEC membership becoming more tangible and with more pressure from the IMF, Turkish banks are anxious to put their house in order and increase their international credibility. Says Mr. K. Erhan Dumanli, assistant general manager of Akbank, the second largest private bank in terms of assets (currently around $2.7 billion): "We are always a little orthodox, rather conservative, and not given to risk taking."

This reflects the views of many of the more successful banks that continue to err on the banking principle of caution. In the case of Akbank, Mr. Dumanli says its bad debts are less than one percent of total credits outstanding. Net income last year almost tripled to TL 87.5 billion ($124.7 million). In March, its capital was increased from $66.1 million to $158.8 million. Besides being well managed, it has the advantage of being a wholly owned subsidiary of the highly successful Sabanci industrial conglomerate.

Akbank, with 600 branches, is also setting its sights on developing a firm retail base with modern computerization. It has about 5 million customers with some 8 million accounts. By the end of 1988, it will have invested more than $27 million in computer technology and hardware, bringing 260 of its branches on line.



The Akbank head office in Istanbul.

"This should cover 80-90 percent of all our activities in the future," says Mr. Dumanli. Akbank has also introduced plastic bank cards, but few people use them as yet. "They still prefer cash," says Mr. Dumanli.

About 12 percent of the country's overall trade finance is now handled by Iktisat Bankasi Turk, which also plays an active role in the capital markets and in international syndicated loans. A perceptive merchant banking operation headed by Mr. Erol Aksoy, Iktisat has been rapidly pushing back the frontiers of banking in Turkey, developing new ways of making money that are being followed by other players in the market. Iktisat has been very active in treasury and corporate bonds. During the first nine months of last year, government bond sales totaled TL 95.2 billion ($135.8 million), corporate bonds TL 20.3 billion ($28.9 million) and income sharing certificates TL 6.1 billion ($8 million).

Mr. Aksoy prefers to look for the profit motive on the bond market rather than in income from deposit rate competition, which is unduly influenced by the government. Other innovations on the Turkish banking scene have also been inspired by Mr. Aksoy, who has gone after project financing and revolving trade credits. The bank is heavily involved — to the tune of $30 million — in one of the gas pipeline projects and has succeeded in negotiating a deal with Britain for export guarantee payments for much needed capital goods.

Esbank, one of the oldest banks, is also heavily involved in trade financing.

Also sensitive to the wind of change via the microchip is Türkiye Is Bankasi, ranked by Euromoney as the largest Turkish bank in terms of net worth. Its capitalization is due to be increased to TL 250 billion ($317 million). The government owns 40 percent and the Workers' Pension Fund 35 percent.

It has already invested $40 million in technology since 1980 and intends to push this figure up to $100 million by 1990. With more than 10 million current accounts at its 930 branches, improved efficiency is regarded by Mr. Ahmet Yavuz, deputy executive general manager, as a crucial ingredient for profitability and for the preservation of its 20-25 percent share of banking in Turkey.

"We have to give prompt and efficient services and this can only be done by more computerization," says Mr. Yavuz. Ankara, Istanbul and Izmir will serve as the three regional computer centers for the bank. About 100 branches will be on line soon, and by the end of the year there will be 200 handling about 80 percent of all transactions. About 50 ATMs (automatic teller machines) will also be installed this year.

As the bank is anticipating a downturn in deposit flows, partly because of low interest rates and partly because of increased activity in public sector securities, it is developing new financial activities such as leasing, investments funds and free zone banking.

It has also intensified its international operations, making first entry into international syndicated credit markets last year when a $150 million credit was raised in less than two weeks, without government underwriting — this was a significant step forward. With the prospect of EEC membership looming closer, Is Bank is aiming at closer links with international capital markets and further development of state-of-the-art financing techniques.

More emphasis on international markets is also being placed by Garanti Bankasi, primarily a retail bank with 288 branches. "We too are undergoing continuous change to keep abreast of developments," says Mr. Solmaz Ayarslan, assistant general manager. "We are financing a lot of domestic trade and are now concentrating on the international side as well."

Garanti has established a project finance department aimed at attracting foreign investors to specialized growth areas, particularly in the agricultural sector. In the past, considerable emphasis has been placed on the development of manufacturing industries, which have sharply increased production.

But Garanti Bankasi believes that in the longer term, especially when the massive irrigation projects it is financing are completed (GAP and Konya are the two big ones) agribusiness activity will rise dramatically, especially in value terms.

It is also trying to increase its corporate business, but as Mr. Akin Öngör, assistant general manager, points out, Garanti doesn't want to become a small corporate bank with retailing activities, but a stronger retail bank with a corporate side.

Solmaz Ayarslan, assistant general manager, Garanti Bankasi, Istanbul.

Preliminary results for the bank show that assets last year increased from TL 313 billion ($446.5 million) in 1985 to TL 530 billion ($706.6 million). While inflation has been a major factor in the results, foreign exchange deposits, slightly more than $100 million, have also helped to give a real increase.

Says Mr. Öngör: "We have in fact increased our deposit side a little faster than the average among the other major banks." He adds that, as one of the few banks in Turkey to be audited by an internationally known firm of accountants (in this case Peat, Marwick, Mitchell and Co.), Garanti has improved its credibility, particularly on the international scene.

As the Central Bank begins to lay down the ground rules, auditing of bank accounts is now a controversial topic among banks, as it is with some of the bigger commercial and industrial groups. "Turkey is not very sophisticated in this respect (auditing) and we must show our European colleagues that we are willing to learn," comments one banker.

Also internationally audited is Türk Economi Bankasi (TEB), a relatively small bank largely confined to merchant banking operations. A highly professional operation, it follows the much vaunted "cautious approach," which seems to be the hallmark of successful commercial expansion in Turkey.

"We have a very select client base and we're mainly interested in international trade finance: we don't handle any medium or long term loans beyond 180 days," explains Mr. Hasan T. Çolakoglu, one of Turkey's shrewdest young bankers and adviser to the board. "This is a time span in which we can predict things. Beyond 180 days it is much harder as here we have a very rapidly changing situation, particularly with legislation," he says, adding that the changes are usually "for the better."

TEB has a paid-up capital of TL 7.5 billion ($10.6 million), and its profits were up by 35 percent last year. With total assets of TL 39.8 billion ($56.8 million), net income doubled to slightly more than TL 2 billion ($2.9 million).

"We are probably the most liquid bank in Turkey: we are always liquid and that is the policy we like. We could probably make more moves by being less liquid, but we are in fact very conservative," says Mr. Çolakoglu explaining the bank's philosophy.

"We tend to follow: we will never be first into anything new, we're too cautious," he emphasizes again.

Mr. Harun Pastanoglu, assistant general manager of Halk Bankasi (People's Bank) also stresses caution "but we are not conservative." Commenting on last year's results, which are about to be released, he said the bank "had a very strong performance and we are probably now in first place in Turkey."

Halk was created in 1938 to finance cooperative institutions and small businesses. It has 645 branches, 14,000 employees and about 350,000 customer accounts. Last year it made credits worth nearly TL 580 billion ($827.4 million). This year the figure will rise to TL 925 billion ($1,319.5 million). Mr. Pastanoglu explains how the bank works: "Basically we borrow from the Central Bank at 27 percent interest and relend to small- and medium-sized business at 30-35 percent."

A medium-sized enterprise is one with from 5 to 25 workers. This year cooperative institutions will receive TL 150 billion ($199.7 million) credits, industrial companies TL 200 billion ($267 million), development

(Continued on page 10)

ADVERTISING SECTION

ADVERTISING SECTION

Textiles: Turkey's Star Exporter

TURKISH textiles are big business and becoming progressively bigger. But success breeds its own problems. As Turkey's textile producers have learned to export, they have run up against the kind of protectionism abroad that Western statesmen have been telling them to discard at home.

Cotton is king in the Turkish textile world. For many years Turkey has grown cotton, chiefly in the Aegean region and the Cukurova plain around Adana. Plentiful raw supplies at home (Turkey's annual cotton crop is around 500,000 million tons a year) led to the beginnings of a textile industry more than a hundred years ago.

In the 1930s Ataturk created Sumerbank, which among other activities is still the country's largest textile producer. Development of the private sector followed in the 1940s and 1950s. The real take-off came in the late 1960s and 1970s when the private sector began investing on a large scale, growing as much as 18 percent some years.

The result today is that Turkey has become one of the EEC's major textile suppliers and is vigorously penetrating new markets all over the world. Textile exports are put at between $1.6 billion and $2.2 billion.

In recent years, the Turks have been discreetly playing down both their production and their export figures, fearful of stirring up protectionist responses in countries where declining textile industries do not want competition.

In 1985, Turkey's total textile exports to the United States were only $121 million, less than 1 percent of total U.S. textile imports of $15.9 billion. But U.S. textile producers still managed to force the imposition of quota restrictions on 65 percent of Turkish textiles sold in the United States. Similar problems have followed with Canada.

Protectionism, however, has been a less serious problem than bad management at home. Two of Turkey's three largest textile companies went bust in the early 1980s and had to be bailed out by the government. They were typical of a large number of firms that invested too much too fast without attention to the market.

The pacemakers have been companies such as Altinyildiz (high-quality ready-to-wear), Mensucat Santral (bed linen and linings), Akin, Soktas, and many others that have put a premium on good management.

The biggest management turnaround is being attempted at the state-owned Sumerbank by General Manager Erkan Tapan, brought in from the private sector by the Özal government.

Sumerbank's annual turnover is around U.S. $400 million but, until 1984 when Mr. Tapan arrived, the corporation was living on Treasury subsidies of about TL 5 billion ($7.1 million) a year.

Putting an end to the subsidies, Mr. Tapan decided to look to the market instead. He brought in market researchers and began an advertising campaign with the slogan "I really love Sumerbank" aimed at younger customers. He published the first catalog in the corporation's 53-year history.

From a TL 700 million ($812.4 million)loss in 1983, Sumerbank last year made a TL 22 billion ($31.3 million) profit. "We are starting to reap the harvest of reorganization," says Mr. Tapan, pointing out that productivity is expected to rise by 72 percent in the group's spinning activities.

Meanwhile, in a side-operation, Sumerbank has put one of Turkey's bankrupt textile giants, Pektas, back in the black. Sumerbank took over the ailing corporation at the government's request but on a joint venture basis. Last year, it made a profit of TL 4 billion ($6 million) and will eventually be reprivatized.

Not all the sector's problems can be corrected so easily. Many Turkish textile producers are small and can probably never adapt to international market conditions. There is too much investment in cotton spinning, too little in cotton weaving and cutting and sewing — though these are developing fast.

The government would like to see more emphasis on quality, and is trying to set up regional textile resource centers, if possible with foreign institutions taking part, across the country.

Creations by Vakko, one of Turkey's leading fashion houses.

Equally potent medicine, though one which local producers hate, would be to relax import controls. In many areas, notably dyestuffs and artificial yarns, local Turkish producers cannot supply to the highest quality required by exporters.

Aware of their limitations, most of the leading producers in Turkey are actively exploring the possibilities of joint ventures and partnerships with foreign companies. On the domestic market, Turkey could do with more high-quality retail chains.

In 1985, Altinyildiz broke new ground by forming a partnership with Benetton. As yet, no other foreign chain has followed the Italian company into a confusing but rapidly growing market.

— Thomas Faulkner

Filling the Energy Gap with Hydroelectric Power

TURKEY is generously endowed with everything — except energy, of which it is likely to remain a substantial importer well into the next century. Over the last decade it has imported an average of about 70 percent of its annual consumption.

On February 10, Turkey took a step toward providing for its own energy needs when the first unit of the 1,800-Mw Karakaya Dam on the Euphrates began to operate. The dam is one of several nationwide investments that have already increased the output of electricity from 28 million Kwh five years ago to around 38 million Kwh in 1987.

The increase had to come and will have to continue. Demand for electricity has grown by as much as 15 percent in a single year over the last decade. But how is it to continue? As far as is known, Turkey has only very limited deposits of oil. It already relies on coal imports. Lignite is the only fuel it possesses in abundance, apart from uranium.

Hydropower was the first option. Turkish governments selected it in the 1970s. By 1990, the 2,400-MW Ataturk High Dam will have completed a chain of dams on the Euphrates, begun in the 1970s with the Keban Dam. Turkey's total hydroelectric potential is put at 112 billion Kwh, of which only 12 percent has so far been tapped.

Use of solid fuels is a second option. In the 1970s, Turkey decided to tap its abundant lignite reserves and built a major lignite-burning plant at Afsin Elbistan with 4 X 350 MW units. It has not been successful. Its first unit became functional nearly six years late, in 1983. The fourth is still not ready. Use of lignite will be stepped up in the years ahead, but its high sulphur content is a drawback.

Instead, the government has opted for giant thermal plants burning imported coal. It is currently negotiating with seven international consortiums to build power plants at coastal sites, each to produce between 1,200 and 1,400 Mw of electricity.

To finance these, the government has opted for a franchise system rather than traditional project finance: the foreign consortiums will be majority partners in a joint venture with the Turkish Electrical Authority. The JVC will build and operate the plant for a period of between 15 and 26 years, recoup its costs, and then bow out by handing the plant over to the Turkish government.

So far, Eximbank, of the U.S., and the Swiss government have given their partial endorsement to the "Build-Own-Transfer" model, as it is known. However, there is probably only enough credit in world markets for one of the projects this year. Three rival consortiums, headed by Bechtel of the U.S., Brown Boveri Co. of Switzerland, and Seapac of Australia, are vying to be the first to sign an agreement.

Bechtel's project is the front-runner, but the Australian-led consortium could prove the most important. It would provide Turkey with a large new port near Iskenderun, a stockpile of Queensland coalmines as part of the deal, and new shipping links with the Far East.

The government has also encouraged the use of the franchise model for new hydroelectric projects. It says it has had 70 applications, eight of them from corporations wanting to produce their own electricity. It has already signed a protocol with the Turkish firm Aksu for the building of a plant in Isparta with probable Chinese participation.

Many of these are challenging projects. Yamula near Kayseri, a consortium led by Sweden's Asea and Britain's John Keir, proposes to build a 200-Mw underground power station on the Kizilirmak River, a project of extreme sophistication and difficulty. But this and other projects like it are beset by delays in getting firm commitments from the Turkish government.

At Yamula, this is because a rival local consortium, led by the town's mayor and backed by politicians in Ankara, has emerged to challenge Asea. This development bodes badly for the Özal model. International companies with worldwide reputations cannot be expected to waste time competing against local factions on highly sophisticated projects.

The worst delays have affected the Atomic Energy Corporation of Canada's proposed 630-Mw power plant at Akkuyu on the Mediterranean. AECL got a letter of intent to go ahead with the power plant in autumn 1983. But the deal was never clinched. Turkish fears about going nuclear and the Canadian government's anxiety about backing an investment of more than $800 million apparently proved insurmountable.

Although Turkey is rich in uranium, the government line is that nuclear energy will not come here for at least another 15 years.

—Thomas Faulkner

Banking

(Continued from page 9)

fund credits TL 225 billion ($298 million), commercial credits TL 200 billion ($267 million) and export credits TL 30 billion ($40 million), double the 1986 allocation.

"We are now giving preferential treatment to export credits because the government is emphasizing this area and wants to stimulate more exports," comments Mr. Pastanoglu.

While some Turkish banks are looking for niches, others have been busily restructuring. Yapi Kredi Bank, which three years ago was under considerable stress through non-performing loans, has been modeled back into shape by its general manager Mr. Husnu Ozyegin.

The common factor in many of the ailing banks has been weak management, and Mr. Ozyegin's first task was to strengthen executive management and then to introduce a number of innovations such as the first Euro certificate of deposit facility last year. He has also forged international links with a new range of banks unused to doing business with Turkey. These included Danish, Finnish and Australian banks.

He has also brought in the microchip and is automating 150 of the bank's 580 branches. Computerization of the bank's services is regarded as vital to its effective consolidation and restructuring; it is also being applied on the international side.

With many foreign banks now in Turkey, a country they regard as one of the most fertile banking grounds for the future, some Turkish banks are relying on their spruced-up management to meet international competition. With the country on the verge of what might become the most significant export drive ever from the southeast Mediterranean, Turkish domestic banks are going to do their best to make sure they don't miss out on trade finance to the incoming foreign bankers.

Refining the Oil Bill

TURKEY would like to discover large amounts of oil and some natural gas. In practice, it has to import ever greater amounts of each, causing a major drain on its balance of payments. Efforts to achieve self-sufficiency in refining have led to what looks likely to be serious over-capacity in the 1990s.

In 1980, Turkey's crude oil imports actually outstripped its export earnings. That situation changed during the next five years. By 1985, Turkey spent only 30.3 percent of its import bill on crude oil. Last year, thanks to the fall in oil prices, the oil bill was only $1.8 billion, or 17 percent of total imports.

The 1980s have seen the emergence of a buyer's market concerning oil, and Turkey is well placed to take advantage of this because of its close connections with Iran and Iraq. The crude oil travels through the 980-km pipeline linking Iraq's oilfields around Kerkuk to Dortyol on the Mediterranean.

Turkey buys about 7 million tons of crude annually from the pipeline and charges Iraq a royalty on the rest.

Crude oil imports were 15,500 tons in 1986. Local production was 2.3 million tons. Turkey has been struggling to keep it at this level for the past five years. The early 1970s, when local production was over 40 percent of annual consumption, are long gone.

Turkey hopes that by offering sufficient incentives to foreign prospecting companies, these will return. It has also invested heavily in TPAO, the State Petroleum Corporation. The incentives have attracted nearly 20 foreign companies. One of them, Huffco, pumped more than $45 million into Turkey over the last three years.

Turkey's hopes of repeating its success in Indonesia, however, have not, so far, worked out. Reserves are estimated at 300 million barrels. Most foreign companies remain skeptical about the chances of a major oil find in Turkey, though smaller finds which are locally useful happen from time to time. Turks remain optimistic, figuring perhaps that with major oil deposits just across the border, a strike on the Turkish side is probable sooner or later.

In practice, a lot of effort has gone into secondary reclamation, especially at the Bati Raman field in South Western Turkey. And the suspicion remains widespread in Turkey that foreign companies are not really interested in finding oil.

Meanwhile, the really big development in Turkish energy over the next few years will be the installation of a pipeline running from the Bulgarian border to Ankara. By 1991, Turkey should be importing 6 billion cubic meters of Soviet gas via the pipeline.

Soviet gas will supply energy to Turkey's main industrial region around Istanbul and the Sea of Marmara, as well as central heating for Ankara. Feasibility studies for the conversion of Istanbul and Ankara to natural gas were expected to be completed in the first quarter of the year.

Turkey's total domestic gas production is only about 80 million cubic meters at present, so the Soviet gas will have tremendous impact. To cushion Turkey against the possibility of an interruption in the supply, terminals for storing imported Algerian gas are also being built. A 1,200-MW gas-fired power plant at Hamidabat is due to be commissioned in April. It will eventually use Soviet gas to prevent the depletion of local reserves. There is also the possibility — at present an extremely remote one — that a rival pipeline from Qatar will one day be built, running to a Mediterranean outlet on the Turkish coast. Talk also surfaces periodically of pipeline projects with Iran, for gas or for petrol. But financing for these will probably not be available in the foreseeable future.

The Soviet pipeline will give a major boost to Turkish-Soviet trade links. During the first three years of the pipeline's life, the Soviets have undertaken to buy the equivalent, in Turkish exports, of 70 percent of the hard currency cost of Turkey's gas purchases. These include contracting services: Turkey is planning to build hotels on the Black Sea and in the Caucasus as part of the deal.

Meanwhile, Turkey's fourth refinery at Kirikkale, built with Rumanian help, has begun to operate. The need for this investment is doubtful. The refinery has a capacity of 100,000 barrels per day and is served by a 310-mile (500-km) pipeline running from Dortyol.

Total capacity in a year or two will thus rise to just under 30 million tons, when annual demand for crude is only 19 million tons.

Turkey's main petrochemical plant at Aliaga, the state-owned Petkim, which was built at a cost of $2 billion — $500 million of it in foreign loans — is now in operation. It produces mainly PVC, aromatics, ethylene, caustic soda, acrylonitrile for synthetic fibers, styrene, and polystyrene, exporting about a fifth of what it produces.

High tariff barriers (up to 20 percent on imported competitors) and the fall in oil prices have given Petkim a head start. But like all Turkish industries these days, it is having to adapt to conditions the planners of the 1970s never foresaw.

— Thomas Faulkner

Iktisat a Leader in Trade Financing

AT 40, Mr. Erol Aksoy, vice-chairman of Iktisat Bankasi, is regarded as a young Turk in the conservative world of Turkish banking. A lively figure who does not mince his words, he is harsh on much of the banking system — especially on government participation in state banks and its control over deposit rates (lending rates have recently been freed from official control).

"The government thinks it can set interest rates like pricing a sack of potatoes," says Mr. Aksoy, who is concerned about the big difference between deposit and lending interest rates. He feels that this is contributing to inflation and harming companies. "People won't put their money in the banks, they won't save their cash because the interest offered on time deposits is less than the rate of inflation, which has begun to climb again. Instead they go out and spend it on cars and white goods (refrigerators and washing machines). You have to wait six months to get a car now because we can't produce enough."

Mr. Aksoy speaks from experience. Iktisat Bankasi finances 13 percent of Turkey's overall trade, including one seventh of all exports. This is no mean achievement considering that Iktisat was on the rocks three years ago.

Today, the bank is not only profitable, it is highly competitive. So far it is the only Turkish bank to have installed a real time on-line computerized system, which connects its 18 branches. All banking transactions — retail, wholesale, trade and project financing — are done in real time by computer.

Educated in Paris and at Harvard Business School, Mr. Aksoy was involved with the industrial sector in 1974 as the KOC empire's financial vice-president. In 1977, at the age of 30, he became the youngest manager of a Turkish bank, Garanti, which was owned by KOC. He left after three years to join Interbank, becoming general manager in 1984. In the middle of that year, he was called in to rescue Iktisat which, according to Mr. Aksoy, "had a few small problems at the time." Since then, he has transformed Iktisat into one of the more dynamic and well-managed banks in the country. "We like to think of ourselves now as the merchant bank in Turkey — which I hope will make us different from the rest," he says.

Last year the bank had an excellent record with a balance sheet total of $291 million compared to only $66 million in 1984. Net income in 1986 was $7.5 million after tax. Iktisat is one of the few banks to have internationally audited accounts (Arthur Andersen).

"Banking in this country needs better and stricter controls and we have to have much more professional auditing," comments Mr. Aksoy.

He has forceful things to say about the management of some banks, particularly those in the state sector that have had problems with non-performing loans in the past. His voice is being heard, at least in the private sector, where a small but growing number of banks have realized that their international credibility is improved by having non-Turkish audits.

When Mr. Aksoy joined Iktisat, the bank took a giant step into the 20th century. One of his first moves was

Erol Aksoy, vice-chairman of Iktisat Bankasi.

to install computers and software from IBM and Security Pacific to the tune of $7 million — "Our current year's profit," he says. He is a firm believer in the value of the microchip in banking because it keeps costs down, enables sophisticated services to be developed and allows a quick response.

"We have to service our clients and offer them good service at competitive rates and we can only do this with computers. If a customer wants an LC (letter of credit) we can do it there and then in a second. That's why we bought computers."

Iktisat's main activities fall into three areas — trade finance, capital markets ("We are the largest private bond underwriters with more than 40 issues last year," he says), and project finance.

It was also one of the few banks to expand internationally by taking over a foreign bank last year. It now controls 70 percent of the Banque Internationale de Commerce (BIC) in Paris. The remaining shareholding is split 25 percent with the French Banque Régionale d'Escompte et de Dépôts (BRED) and 5 percent with Saudi European Bank. Mr. Aksoy has just become chairman of BIC.

— Lee Voysey

Glass Maker Eyes Upscale U.S. Market

"AS the standard of living goes up, people buy more glass." This truism, along with Turkey's rising standard of living and a near monopoly in domestic flat-glass, glass fiber and quality tablewear, has enabled Turkish Glassworks (Türkiye Sise ve Cam Fabrikalari) to become the fifth largest glassmaker in Europe and the ninth in the world.

Established in 1935 by President Ataturk, with the help of Turkiye Is Bankasi, Turkish Glassworks now comprises 25 companies with an annual turnover of $1 billion. As the most integrated glass producer in the world, it had a relatively easy time breaking into export markets. By 1979, it was exporting $30 million worth of products; by 1986, it was up to $167.9 million, 50 percent of total production.

Turkish Glassworks sells to 60 countries, with 40 percent going to the Middle East, 40 percent to Europe and the remainder to the United States and the Far East.

"We are expanding toward high income markets," says Mr. Mehmet Kara, assistant to General Manager Talat Orhon. Already the company, under its Pasabahce label and under the private labels of others, controls 20 percent of the West German market in hand-blown glass, and the American and Japanese markets are picking up. "The demand in the U.S. is so high we have to ration production," Mr. Kara says, even though production was tripled only a year ago.

"New designs and cost effectiveness make us a winner," Mr. Kara says. The company has invested large amounts of money to upgrade plants and introduce new technologies. Over $300 million has been spent since 1980. Among new projects are two plants to manufacture cardboard packaging for tableware. "This will make us very competitive in international markets," he says. The glass fiber plant is also being expanded.

Concentration in glass, strong financial backing by Turkiye Is Bankasi, horizontal and vertical integration, and efficiency management have also contributed to make Turkish Glassworks one of Turkey's biggest successes outside the agricultural sector.

Unlike most private companies in Turkey, Sise Cam is not family owned; and unlike most state-owned enterprises, it has never been a seat for political appointees. The last general manager was with the company for 26 years and still serves on the Board of Directors. A promotion and recruitement policy based on merit has brought high quality managers to the company, who have introduced serious long range planning, cost reduction planning and quality circles.

"We are aiming at the upscale, medium income market in the States," Mr. Kara says. "We want to create Pasabahce as a prestige trademark."

In Turkey, Pasabahce already means quality glassware. The company has its own network of 30 retail Pasabahce stores and it is planning to open one in every province, to help increase demand for the whole range of products; which now includes Borcam, a high quality pyrex oven-to-tableware, in addition to porcelain, vases, stemware and the ubiquitous teaglass, a fixture in every Turkish home.

ADVERTISING SECTION

From Grocer to Premier Industrial Magnate

Mr. Vehbi Koc, now honorary chairman of KOC Holdings, became the first Turk to be nominated World Businessman of the Year by the International Chamber of Commerce at their 29th congress last February in New Delhi.

BUSINESSMEN talk about the three key industrial sectors which make up the Turkish economy — the state, the private sector and KOC, the oldest and largest privately owned conglomerate in the country. Ask anyone to name an internationally known Turkish company and more than likely it will be KOC, if the question does not draw a blank response. Most people outside Turkey have yet to realize the dramatic changes that have been taking place in Turkish commerce and industry, especially during the last five years.

But KOC, founded in 1926 by Vehbi Koc, the son of a small-time Ankara grocer, is an exception. Its development began just before the founding of the Republic in 1923. To some extent the story of KOC is the story of the growth of modern Turkey.

With more than 116 companies in the group, KOC has interests in almost every sphere of activity in Turkey, from automobile manufacturing to the travel industry and, most recently, banking. It has operations in the United States, West Germany, Italy and Switzerland. It has joint ventures throughout the world with blue chip companies, including General Electric, Ford, Fiat, Siemens, Goodyear and American Express. It also has close links with Toshiba, Hitachi, Ricoh, Burroughs and Iveco.

Last year's turnover rose dramatically by more than 52 percent to U.S. $3.4 billion and the company has now been placed in the top 200 of the "Fortune 500" list of top companies in the world outside of the U.S.

Mr. Vehbi Koc, at 86, is now honorary chairman of KOC Holdings, and still puts in a hard day's work at the office, often as long as 12 hours. When speaking of his early days at the Ankara grocery store and the birth of his empire from such modest beginnings, he likes to cite the example of other successful pioneering entrepreneurs who have created multinational enterprises such as Ford, who started as a car repairmain, and Siemens, who started as an electrician. Today his son, Rahmi, heads the Koc empire as its new chairman.

According to Mr. Tugrul Kudatgobilik, the group's communications director, Mr. Vehbi Koc is known to be cautious, a much-used adjective in Turkey's business community today. But for Koc, it has been a byword from the very beginning — 1928 — when he took on the first Ford dealership.

Soon after the Ford dealership, he took on the representation of Standard Oil (later to become Mobil Oil). From his early days, Mr. Koc has always had an eye on the international scene — something no one has forgotten — and is now one of the strengths of an empire that has become a sinew of Turkey's domestic economy.

In 1963, a major step toward the institutionalization of the company was the creation of KOC Holdings. This was Turkey's first holding company, and the first to go public. With his son now chairman and three daughters on the board, continuity seems assured.

Mr. Koc has also played an important role in what he describes as his "civic responsibilities." He has helped to establish schools, hospitals, student dormitories and libraries, and sponsors scholarships through the Vehbi Koc Foundation.

Institutionalism, professional management and the recognition of social and cultural responsibilities by successful businessmen are the three basic principles that govern Mr. Koc's life.

He told the members of the ICC at their New Delhi Congress: "The harmony of these principles has brought me to where I am today."

Free Trade Zones to Facilitate East-West Commerce

"WE are a one-stop free trade zone agency and the gateway to and from Europe," is how Mr. Timucin Sanalan, director, sees the new Free Trade Zones which are being created by the Turkish government to boost exports and imports.

The creation of free trade zones is part of the overall government policy to liberalize the economy, encourage more inward investment and develop the export market. Turkey's geographical position puts it in a prime spot for commercial and manufacturing "off-shore" operations. It is the natural distribution center for eastern Mediterranean countries, southern Europe, the Balkans, the Levant, North Africa, the Middle East and even Pakistan and India. With the second Bosporus Bridge nearing completion and the recently signed agreement to go ahead with a third bridge, Turkey can hardly be better placed as the natural "bridge" between east and west.

The government has agreed to go ahead with the creation of four separate free trade zones. Two, at Mersin and Antalya, will be functioning at the end of 1987 or early 1988.

"The infrastructure in these two zones already exists; more than 200 companies have signed up to go to Mersin and about 100 to Antalya," says Mr. Sanalan.

Foreign companies which have been granted licenses include Conagra and Dresser Industries from the United States, Rothman's from Britain and Mannesman from West Germany. "Although we have done practically no promotion abroad we have so far received more than 65 firm inquiries for leases from companies in the United States and Japan, and more than 20 of them have been accepted," adds Mr. Sanalan.

Two Turkish banks and two foreign banks have also been given licenses to operate from the zones. According to Mr. Sanalan, the banks will not only be involved in trade finance, they could also be the beginning of Turkey's offshore banking sector.

The free zone projects have been given a big boost by the arrival on the scene of the giant U.S. Bechtel Corporation. Bechtel has now signed an agreement to plan and operate a free zone at Yumurtalik. This has been done under Prime Minister Turgut Özal's innovative build-operate-transfer (BOT) scheme for funding large-scale projects (the Bosporus Bridge, for example).

Bechtel's intervention has boosted international confidence in the free zone strategy not least because Bechtel is negotiating a BOT agreement for a $400 million commitment for the Tekirdag thermal power station project, and its financial subsidiary is supporting part of the $480 million transcontinental highway project.

Martin Marietta International is one of the foreign companies planning a high-tech production facility at Antalya. Mr. Sanalan refutes comments made in some business quarters that not much progress is being made and points out that the government has so far invested TL 15 billion ($21.3 million) in Mersin and Antalya. "In addition, the successful applicants are investing TL 100 billion ($133 million) and there is another TL 200 billion ($266 million) going into Mersin."

More than 300 applications for sites in Mersin and Antalya were submitted — three times more than could be accommodated and there is now a waiting list of 100 applicants.

The object of the zones is to create jobs, use local raw materials wherever possible, boost exports — and serve the domestic market. Unlike what happens in most free zones, manufacturers and distributors here are allowed, and even encouraged, to meet the demands of the local domestic market.

The free zones will also provide a way to avoid the bureaucratic red tape and outmoded tariff structures, which have so often slowed down Turkish trade. The need to streamline the decision-making process is essential to Mr. Özal's free market economy strategy, and, with elections in the not too distant future, a successful free trade zone would be a boost to Mr. Özal, his party and the country.

The zones are controlled by a Free Zone Operating Agency in which the local government may be a partner, as in the case of Mersin and Antalya. The role of the government in Yumurtalik (the Bechtel operation) has not yet been determinated. The basic advantages applying to all the zones are:

- Tax exemptions: No taxes or customs duties of any kind.
- Transfer of profits: No restrictions on repatriation of profits or dividend payments on income generated within the zone by foreign companies.
- Rents: Very low cost leases, about $2 a square meter.
- Employment: Strikes or stoppages forbidden for a period of up to ten years.
- Finance: Trade finance from banks operating within the zone at preferential rates.
- Administration: Apart from the initial application for an operating license to the State Planning Office, all other administrative details are dealt with directly by the relevant free zone directorate.

Commenting on the overall advantages of the four Turkish free trade zones, Mr. Yalcin Alaybeyoglu, chairman of the Free Zones Directorate, says: "For potential investors the Turkish free zones are the most attractive in the Mediterranean. However, the prime factor that determines the success of free zones is the availability of investors capable of generating a sufficient volume of business in these zones. Mersin and Antalya have passed this test with flying colors."

Turkish Capital Markets

THE first half of 1987 has seen major advances in Turkey's capital markets, as the government and Central Bank try to provide the institutional underpinning for a financial system which, over the next decade, will sustain a strong growth performance by Turkish industry.

The first issue of commercial paper in Turkey, TL 500 million ($64 million), for Henkel Chemical, handled by the Yapi ve Kredi Bankasi on February 10, is one of a series of landmarks.

A month earlier the Central Bank had introduced Open Market operations. In December 1985, the Istanbul Stock Exchange had reopened along new lines. On April 2, 1986, the Central Bank launched its own TL Interbank system, for which it acts as a broker.

Since then it has used increasingly sophisticated techniques to market Treasury Bonds, designed among other things to encourage the growth of a secondary market. One of the first big steps forward was the introduction of an auctioning system for Treasury Bonds in May 1985, intended to help establish a market level for interest rates which had previously been determined by governmental fiat.

These innovations in the money markets are taking place within a timetable programmed by the government and the Central Bank, whose vice-governor, Dr Rusdu Saracoglu, has played a key role in setting up the new institutions.

The emphasis on money markets is a result of the belated introduction of realistic interest rate policies in 1980. Until then, Turkish industrialises never had to worry about funds. Banks lent freely to industry at rates which were well below inflation. Much lending was done inside groups. Even today, all but a few of Turkey's major private banks are owned by industrial groups. Over the last three years, however, ceilings have been imposed on inter-group lending.

But Turkey still does not have secondary markets, and most investors find it more profitable to buy gold, foreign exchange, real estate, or even cars than to put their money into stocks and shares.

Mr. Muharrem Karsli, chairman of the Istanbul Stock Exchange, claims that the yield on stock in Turkey is higher than for any other kind of security — including Treasury Bonds which are tax free and with which Turkish institutional investors such as banks have tended to play safe.

Why should Turkish investors dislike stocks? There are several reasons. One is simple unfamiliarity, but another is a deep-rooted feeling that in a strongly family-dominated business environment, minority shareholdings do not count for much.

When the government's new interest policies emerged in the early 1980s, industry responded by turning to bond issues. Small investors throughout the country poured their savings into unlicensed bond houses. Cut-throat competition for deposits eventually led to rates of over 10 percent a month — and the inevitable crash. Confidence has taken several years to return.

The following steps have been taken to rebuild it:

1). The introduction of a new legal framework. For example, the Istanbul Stock Exchange has given great importance to guaranteeing investors against fraud.

2). The emergence of younger, usually U.S.- or European-trained financial executives familiar with the workings of modern financial markets.

3). A partial fall in inflation and an accompanying lowering of interest rates on bank deposits and Treasury Bonds. This seems to have been achieved rather deliberately by the Central Bank when it pulled down interest rates on bank deposits by 9 percent in the second half of last year, apparently moving faster than the IMF recommended.

New market conditions encouraged some of the smaller Turkish banks to turn back to the bond market as long as two years ago. The way has been largely led by Erol Aksoy's Iktisat Bankasi. However, Iktisat is now facing a challenge from some of the larger banks, which until now have preferred to earn money more expensively through bank loans.

Now, however, Yapi ve Kredi is bracing itself for a major entry into the financial market in which it hopes to establish a position of leadership.

Signs that times are opportune for the expansion of the money markets were plentiful in the first quarter of this year, with the volume of transactions on the Istanbul Stock Exchange running at six or seven times what they were last year and with bond issues remaining high.

As yet there is no system of credit rating on the Turkish market. The financial standing of firms is monitored by the Capital Markets Board in Ankara, which authorizes the issuing of bonds and commercial papers.

Though independent auditing is chiefly confined to a few top exporting groups, the market does know a great deal about the state of health of major companies — or thinks it does.

However, the task of transfusing savings into industry is potentially a risky one, with many firms known to have heavy burdens of bank debt. In the short term, banks will probably be expected in practice to guarantee issues they sell to the public. The growth of a risk-taking sizable secondary market is probably still several years away.

— Thomas Faulkner

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ADVERTISING SECTION

Agriculture: Key Element in Modernization

PRIME Minister Özal's government is belatedly coming to terms with Turkish agriculture. Since coming to power in 1983, it has been so concerned with liberalizing other sectors of the economy that agriculture, the basis of Turkey's wealth, has sometimes appeared to be ignored.

In a way, the sheer size and viability of Turkish agriculture has meant it could look after itself. Even today, roughly half its population are farmers and Turkey is one of the world's largest wheat producers. Unlike its Middle Eastern neighbors, it is self-sufficient in most crops, of which it has an abundant variety. It enjoys a number of different 'agro-ecological' zones, ranging from the plateaus of the interior (ideal for cereal production) to the sunny Mediterranean coast where bananas and citrus fruits are grown.

Yet agriculture's share of the GNP has fallen steadily from 18.9 percent in 1984 to 17.5 percent in 1985 and 16.6 percent in 1986. By the end of the current five-year plan in 1989, it will contribute only 13.7 percent of the GNP. Agricultural exports, which in 1984 were U.S. $1,748 million, dipped slightly to $1,719 million in 1985 and $1,331 million for the first ten months of 1986 ($1,597 million on an annualized basis).

To a large extent this reflects the progress made by other sectors of the economy. Agriculture's share of the GNP has fallen because that of others has grown. Industry has developed spectacularly, and with it, agro-industry. Exports of processed agricultural products have risen from $209 million in 1980 to over $1 billion today.

More significantly, as a result of the government's general liberalizing tendency, agricultural imports have increased. Over the single year 1983 to 1984 they tripled from $138 million to $417 million. In 1985, according to unofficial figures, they grew to around $1 billion. These imports, largely wheat, soybean and wool, have been absorbed by the country's burgeoning agro-industries. But it is doubtful that they have yet done much to stimulate domestic agriculture. Indeed, in a turnaround of its accepted policy on economic liberalization, the government has imposed curbs on agricultural exports to keep back domestic output for local industrial production. In January, it levied surtaxes of between 20 and 35 cents a kilo on exports of prime Aegean, Antalya and Cukurova cotton for this very reason.

Now, perhaps stimulated by the prospect of general elections next year and the need to hold the vote of that half of the population that lives and works in the countryside, Ankara is belatedly turning its full attention to agriculture.

Guided by the World Bank in many respects, the government is, to its credit, adopting a comprehensive grass roots approach to its task. The key to improving agricultural output is seen as stimulating the peasant farmer to produce more. It is not just a matter of providing the right price stimuli. Rather it involves restructuring the whole rural sector for efficient production.

Izmir, a progressive agricultural development area.

A "Less Developed Regions" Department has been set up in the State Planning Organization. The old Ministries of Agriculture, and of Village Affairs, have been merged to form a new superministry for Agriculture, Forestry and Rural Affairs.

One of its first projects has been in the field of agricultural extension and applied research. The government has committed $130.5 million, the World Bank $72.2 million and the Rome-based International Fund for Agricultural Development $10 million to a scheme that will radically reorganize agricultural extension and research services in 16 out of Turkey's 67 provinces. An Extension Information Center is being started in Ankara. Six agricultural research institutes are feeding into this new setup, which has already produced two new wheat varieties. Interesting work on the development of high altitude cereals is being done on the windswept Turkish plains.

Under the Erzurum rural development project, a number of improvements are being brought to 1,070 villages in the mountains of eastern Anatolia. Here, $137 million are being spent on infrastructural development and provision of credit to 15,000 small farmers.

An important component in the project is the improvement of animal health and breeding services. Throughout Turkey, emphasis is currently being placed on dairy production and the fattening and breeding of sheep and cattle.

The Erzurum rural development scheme also highlights two other factors, often neglected by Turkish agriculture in the past — credit and water. The main vehicle for agricultural credit, the Ziraat Bankasi or Agricultural Bank, has until recently been held back by restrictions on its lending. Since 1983, it has been to the market three times — and will return again this year — to raise additional funds, largely to finance export goods produced by cooperatives. In December, Arab Banking Corporation, Gulf International Bank and Bankers Trust International leadmanaged a loan for the bank, which was increased from $150 million to $200 million, still oversubscribed.

As for water, it is not that Turkey lacks resources; simply that it has not used them efficiently. Now the government is investing not only in small-scale irrigation projects in the countryside, but also in the vast Euphrates Valley development scheme, and its related $4.2 billion Ataturk Dam, which should make 700,000 additional hectares in southeast Anatolia cultivable for wheat, cotton, sugar beet and other irrigated crops by the early 1990s.

Underlying many of the new ideas floating round the Ministry of Agriculture, headed by much respected Husnu Dogan, and the State Planning Department, is an understanding that reforms of the kind started in the last two years are needed if Turkey is to be successful in its application to join the EEC. An inefficient peasant-based agricultural system may be too difficult for the Common Agricultural Policy to absorb. However, the solution is not simply thoughtless mechanization as practiced in the 1960s. This could lead to an unacceptable influx of deracinated small farmers into the cities and to social unrest.

Ultimately, in coming to grips with agriculture, Özal, with Dogan's help, is tackling the most sensitive and important part of his mission to modernize Turkey's economy.

— Andrew Lycett

Construction Boom Seen as Boost to Economy

TURKEY is becoming the construction mecca of the Middle East and Europe as the country undergoes what may be the biggest visible change since classical times. The second Bosporus bridge, costing $551 million, is to be completed in 1988 and a letter of intent to build a third bridge has been signed by the British-based contractor Trafalgar House; new ports, factories and warehouse facilities are going up at some of the new free trade zones; a huge pipeline will soon carry Soviet gas to several electrical generating stations; the final stages of the Europe-Asia highway are under construction; and new dams and hydro-electric schemes will eventually help to triple the country's agricultural production.

The main center of current activity is Istanbul, which is bursting with a population of more than 6.5 million. Following a paralyzing spring snowfall, the worst in a century, Mayor Bedrettin Dalan is more determined than ever to continue modernizing the city, which spans both the Golden Horn and the Bosporus.

The streets are being ripped apart for stormwater drains and tunnels, telephone and telex lines are being laid underground. The Swedish group ASEA and the Construction Center are joint partners in a project for a new light metro, and another Galata bridge is being built across the Golden Horn. It will join three other bridges and greatly ease peak hour congestion. Dozens of new car parks are to be built to ease the traffic congestion which plagues the city.

But most important of all, according to the mayor, is the big clean-up of the stagnation waters surrounding the nearly tideless arm of the Bosporus around the Golden Horn itself. Polluting industries, mostly small factories, are being closed down and moved, and "clean" coal is being imported to alleviate air pollution, one of the worst in Europe.

Major road construction in Istanbul is being designed to ease the traffic congestion.

"We need a lot of infrastructure here and when we get it, Turkey's credibility will also be increased," says Mr. Sarik Tara, chairman of Enka Holding Investment Company. Enka has just signed a letter of intent with Trafalgar House to build the third Bosporus Bridge, now regarded as an essential development to meet the increased transportation needs of the country. The bridge is expected to pay for itself in tolls in only six or seven years.

Enka, which has existed for 30 years, has about $4.2 billion worth of construction projects in hand. Because of the Soviet gas deal, Enka is now looking closely at market opportunities in the construction of hospitals and hotels.

Another company that is looking to the Soviet Union is Gama, which has joined with five other companies — Entes, Guris, Kiska, Kutlutas and Pet Petrol — to form the MIR consortium early this year. A second consortium consists of Dogus Insaat, Alarko and Yukset Insaat. Also interested in bilateral trade opportunities are: Garanti Insaat, Sezai Turkes-Fevzi Akkaya, Teser and Soyak.

Mr. Ergil Ersu, Gama's managing director, says that the MIR consortium has modeled itself on the Finnish group Finn-Stroi, which has carried out more than $1 billion worth of projects just over its border with the Soviet Union under a similar long-term deal.

Like the Finns, Mr. Ersu is proud of the fact that Gama always completes its projects on time, always an essential prerequisite for a contract with the Soviet Union. "Also we have never had a labor dispute in 30 years, which is a pretty good record."

"This is potentially a big new market for us," says Mr. Ersu, who hopes that MIR will soon go ahead with four hotels and one hotel restoration project.

Last year Gama had about $300 million of contracts in hand, and profitability rose by 70 percent to TL 4.3 billion ($5.7 million).

It is involved in many other hotel projects, regarded as investment incentives under existing legislation which permits hotel construction expenses to be tax deductible.

Gama, a private company formed in 1957, used to be active in the Middle East and Libya during the oil boom days, but is now looking more to the domestic market where it does a lot of specialized construction work, especially in the energy field. Mr. Ersu is critical of the bidding and financing system in the construction industry.

"Too much time is spent by the contractor seeking finance for the client and not enough time is left for the actual construction."

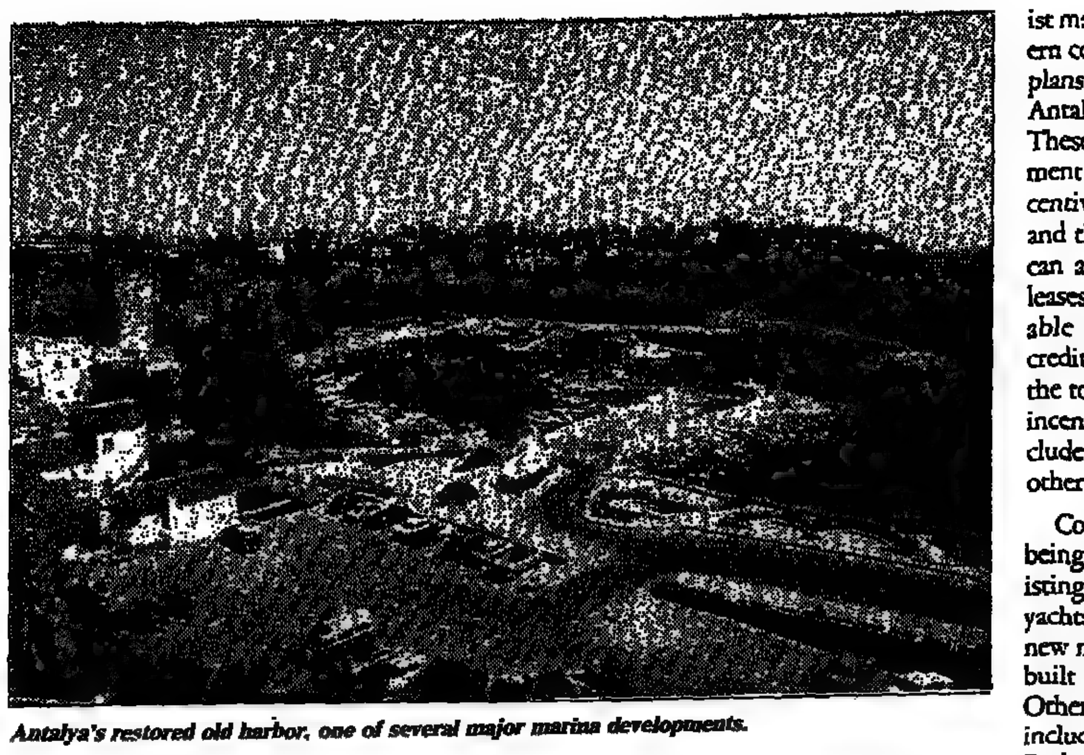
He places considerable importance on the recent U.S. Eximbank funding operation agreement since he feels it might act as a financing catalyst for other institutions in Japan and Britain.

Although there has been a downturn in Middle East business (the Turks had $20 billion worth of contracts over the last five years), Mr. Nurettin Kocak, chairman of the Turkish Contractors Association, believes that strategic funding will help them get more work in the future. With the help of financing from the Islamic Development Bank, he estimates that Turkish contractors should be able to get about $10 billion worth of new work in the next two years.

ADVERTISING SECTION

Investing in Tourism or How to Enlarge the Welcome Mat

TURKISH history encompasses 20 civilizations, yet the country is now on the threshold of the biggest invasion ever. Yes, the tourists are coming. At present, it is the most unspoiled tourist destination in the Mediterranean with only 2.3 million visitors last year. Now, the government has embarked on a major program to upgrade tourist infrastructure, attract more visitors and make substantial contribution to the balance of payments position. Foreign investors are being wooed with the promise of a wide range of incentives to build hotels, marinas and leisure facilities suitable for the international market.


Antalya's restored old harbor, one of several major marina developments.

"We are after the mass middle-class tourist market, the charter groups and so on," declares Mr. Gültekin Öskan, deputy under secretary of the Ministry of Culture and Tourism. "With our 8,000 kilometers of coastline and four varied seasons, we can offer every kind of tourist attraction, and there is a tremendous potential here."

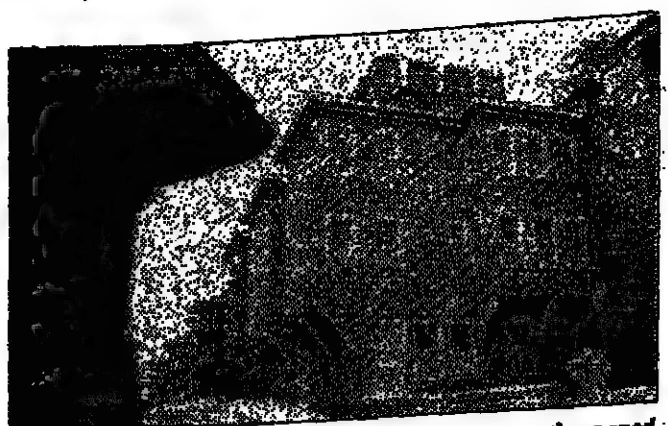
With his colleague, Mr. Zühtü Önder, deputy director general of tourism, he outlines some of the key facts about the industry. "The government is now planning a major increase in hotel bed capacity. We now have just over 102,000 beds, and, by the end of this coming June, this will have risen by another 10,000. At the end of the year, we hope to have a total of 118,000 beds," says Mr. Öskan. The ultimate target is 200,000 beds by 1990. A more ambitious target in the next decade is more than 590,000 beds.

This year the government is investing TL 7 billion ($9.3 million) in tourism. It has already spent TL 21 billion ($29.2 million), mainly on roads and services, in southern Anatolia. The government has devised a tourist master plan for the southern coast with three regional plans based on areas around Antalya, Koycegiz and Side. These three tourist development zones offer special incentives for foreign investors and their local partners who can acquire land on 49-year leases with extremely favorable financing (15 years credit for up to 75 percent of the total investment). Other incentives in the package include tax-free holidays and other fiscal benefits.

Considerable emphasis is being put on upgrading existing harbor facilities for yachtsmen and constructing new marinas. Two are being built at Kemer (Antalya). Other marina developments include Cesme, Kusadasi, Bodrum and Marmaris. Development of facilities at Datca, Fethiye, Kas and Side are being studied. In the coming season there should be more than 2,000 berths available for visiting yachtsmen.

Major tourist investments underway at the moment with foreign partners include: Club Mediterranée, with sites at Kusadasi, Foca, Goreme and Kemer, British Petroleum, with a chain of 10 motels, the Swiss group Conodex, with a hotel project at Bursa, United Breweries of Denmark, with hotels at Cesme and Yasar, and the Belgian Unit International, with a holiday village at Kiziltepe.

Many of the leading international names in the hotel and tourist business are involved in new projects in Turkey — ETAP, Meridien, Ramada, Hilton and Sheraton. British Commonwealth Shipping Co., Sanbak Development Co. and Kumagaigumi Construction have a joint project to convert the Ciragan Palace into a deluxe hotel in Istanbul. Another conversion project involves the old university building near the Sheraton in Istanbul which is to be managed by the Hong Kong hotel group, Regent. This is a joint venture with Iktisat Bank and Eska Construction company.


Ayasofa Pansiyonlari, restored wooden houses recently opened to tourists at Topkapi Palace, Istanbul. A double room costs U.S. $90.

ETAP, now Pullman International, has 185 hotels around the world and is one of the most active in Turkey, with five business-class hotels in Istanbul, Ankara and Izmir. Mr. Fikret Evliyagil, chairman of PLM-ETAP in Istanbul, agrees that Turkey is desperately short of good hotel accommodation. "There is a major shortage in the cities, and in the southern half of the country in the summer. We especially need more three-star hotels," he says.

Mr. Özkan, of the Tourist Ministry, emphasizes the importance of tourist earnings, which last year amounted to $1.4 billion, a slight fall over the previous year due largely to a drop in the number of tourists following the American raid on Libya and the Soviet nuclear plant disaster at Chernobyl.

Of the 2 million tourists last year, the largest number, 19 percent, came from West Germany, followed by Britain with 17 percent.

—Lee Voysey

Auto Industry Focuses on Domestic Market

ALONG with much of the world's auto industry, Turkey has suffered from fluctuations in the price of oil and a rise in the value of the deutschmark and the yen. Local exports have suffered from the Iran-Iraq war. Only about one tenth of the 140,000 vehicles produced now go for export. With a population of 50 million, Turkey represents a big potential market for the world's auto industry for passenger cars, trucks and agricultural machinery. Only two people out of every 100 own cars.

Turkish automakers, as well as much of the general engineering and manufacturing sector, have suffered in the past from lack of capitalization and efficient machinery and technology. In the past, it has favored Italian know-how and the Tofas replicas of the Fiat 131 and the older 124. Best sellers are the Murat Dogan and Murat Serce with 53 percent of the market. Last year, production topped 42,000, with TOE-made Renaults in second place with nearly 33,000. Other manufacturers who assemble autos include Ford, Peugeot and General Motors. Total car production last year was 82,000 compared to 61,000 in 1985, and 4,000 in 1970.

At present the passenger auto industry has a ready domestic market with customers having to wait up to six months for a car. Commenting on the current situation, one banker said it was partly due to a consumer spending phase as interest rates were low and there was no direct encouragement for them to save.

In 1984, restrictions on imported ready-built foreign cars were lifted, but this has made little difference to the consumer market as tariffs and surcharges continue to more than double the price compared to locally made vehicles.

Nevertheless, imports are beginning to rise and in 1986 nearly 9,000 cars worth $36 million came into the country. In the same year, imports of trucks were valued at $47 million and of tractors $36 million.

The auto industry is relatively new in Turkey — the first car was only produced 20 years ago when Otosan, the Ford concessionaire and part of the KOC group, began to assemble the first national car. KOC, which was the first company to hold a foreign car sales franchise


The Murat Dogan by Turkish Fiat.

(Ford in 1928), has had a joint venture with Fiat to manufacture agricultural machinery since 1964 when the Turk Tractor factory opened in Ankara.

Three years later Fiat granted a license to Otoyol Sanayii A.S. to assemble trucks and buses. During the 1970s a series of joint ventures for auto part production were started, and, in 1978, Fiat licensed Tumosan to produce large diesel-engined tractors.

During the early days of the auto industry, Turkey took the unusual step of going into the glass fiber business as a result of a pioneering joint venture with a small British specialist auto manufacturer, Reliant. The lightweight four-door car styled by Ogle was designed specifically for the Turkish market. Reliant planned the factory and production assembly down to the last nut and bolt and it was said at the time that Turkey got a complete packaged "motor industry for the price of a single Boeing 707 aircraft."

The experience Turkish auto makers acquired from the Reliant venture enabled them to develop further skills in glass fiber body production, and Otosan went on to make cabs for commercial vehicles.

Because of underutilization of capacity, the truck and tractor sectors are now in considerable difficulty. In 1985, minibus production was only 70 percent of capacity while that of tractors fell to 29 percent, and a major rationalization of the agricultural machinery sector is on the cards. Fiat, Renault and Ford all make tractors no longer produced in their own countries.

Meanwhile, the component side of the auto industry has been growing rapidly with more than 1,000 different companies involved making replacement spares and original equipment. In the late 1970s Tumosan was set up to make diesel engines under license from Daimeler-Benz, Fiat, Volvo and Mitsubishi. Since 1982, Ercan has been making truck engines for Man at the rate of about 8,000 a year. Ercan, originally an assembly plant, now produces engines with more than 70 percent local content. Hemas makes transmissions and differentials under license from Eaton. It has made substantial investments for gearbox production, and had a virtual monopoly of the market until three years ago. Also highly successful in the export field, in 1983-84 it sold more than $25 million worth of tractor gears to Ford of Europe despite stiff competition.

The Turkish auto industry is not short of initiative; with the right support — and technology — it could meet export opportunities, not only as a component supplier, but as a vehicle producer, particularly for the nearby Arab markets. As a potential member of the EEC it also offers the major industrialized European car makers a massive new market — potentially the biggest in Europe.

—Anne Hope

Esbank Sets Sights on Trade Financing Market

WHEN the great blizzard came in March, all government offices and banks shut down for several days. But this did not deter some bank executives, who struggled to their darkened, cold offices, to try to keep the wheels going.

Mr. Adil Üsküdarli, Esbank's deputy general manager, was one executive who braved both the cold and the vagaries of the telephone system to try and arrange a $1.2 million letter of credit with a Swiss bank as part of a Turkish trade finance deal. "Fifty percent of our credits now go towards international trade financing," says Mr. Üsküdarli, who was formerly with the Ottoman Bank and the Turkish Foreign Trade Bank. "Since 1980 and the new emphasis on exports, everyone is now trying to get on the foreign trade business bandwagon."


Adil Uskudarli, deputy general manager, Esbank, Istanbul.

Last year Esbank's assets almost doubled to TL 85.8 billion ($121.5 million) and foreign exchange deposits rose to TL 15.6 billion ($22.2 million). Founded in 1927, it is one of Turkey's oldest banks, but had no branch in Istanbul until five years ago. It had concentrated on Ismir and Ankara, but because of the demand for foreign trade financing it expanded into Istanbul, where it now has five branches. "We have changed from being purely a domestic bank," explains Mr. Üsküdarli. He feels that because 15 percent of all foreign exchange inflows must be "sold" to the Central Bank at predetermined rates, which can be changed with little or no warning, the commercial banks have little room for maneuver, or for making additional profits.

He says the banks should carry the foreign exchange risk, although the Central Bank insists that commercial banks should not keep an open position of more than 10 percent on the foreign exchange markets.

Mr. Üsküdarli believes in teamwork and effort as the formula for success. "If we can keep up our present consistency, especially as far as management is concerned, I think we will really be going places in the future," he says.

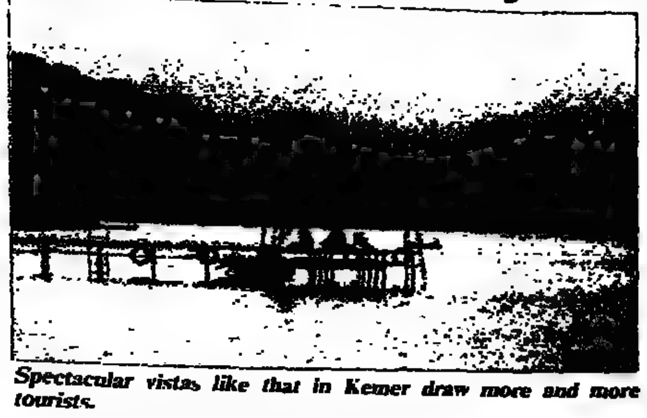
From Historical Sites to Idyllic Coves

ALONG one of the walls of Istanbul's Topkapi Palace is a row of clapboard houses with red roof tiles newly restored and painted in light pastel shades of green, gray and ochre. For as little as $35 per night, a visitor can now share the "Ottoman" experience by staying in this new tourist venture. However, trying to live like a sultan may cost a little more, as luxury hotels are not cheap in Istanbul. But good food is inexpensive, and like so many of the good things in Turkey, the warmth of the people cannot be measured in terms of cost. A visit to Istanbul provides a host of unforgettable experiences: the sun rising above the mist hanging low over the Bosporus, the domes and minarets in the evening skyline and the summoning of the faithful to prayer.

Topkapi Palace, with its famous jeweled dagger, made even more famous by Hollywood, is only one of Istanbul's many attractions: the Blue Mosque, Aya Sofia, the great covered bazaar, the extraordinarily opulent — almost decadent — Dolmabahce Palace with its spectacular waterfront on the Bosporus. At Dolmabahce Palace, time has stood still since the clocks were stopped at 9:05 a.m. on the death of Kemal Ataturk, the father of modern Turkey, in 1938.

The city is unique — it is the only one which straddles two continents, Europe and Asia. The European side, built on the Golden Horn, is hemmed in by dramatic crumbling walls and watchtowers which are also being restored. Cross the bridge over the dividing Bosporus and Asia spreads away to the east.

Turkey's geographical location has made it one of the world's greatest open-air museums. Claiming one of



Spectacular vistas like that in Kemer draw more and more tourists.

the earliest human settlements, dating back to 7500 B.C., it has been at the crossroads of history as successive civilizations have swept back and forth across its varied landscapes.

These range from the central Anatolian plateau and the harsher desert lands to the east and the craggy but softer Mediterranean coast.

In eastern Anatolia money is attempting to change the face of nature by taming the waters of the Euphrates and the Tigris with huge dams that bring the earth back to life. There are the lunar-like landscapes of Cappadocia and the petrified waters of Pamukkale. Towards the Black Sea are lush valleys and clear flowing streams.

But it is the southern coast, with its spectacular cliffs, sheltered coves and a wealth of antiquities, that is now drawing tourists, by land and sea. Centuries ago, the Greeks, Romans, Hittites and others from both east and west were also drawn here. The temples, theatres and fortified cities they built lie strewn amid rock and scrub. At the western end are the classical sites of Troy, Ephesus and Pergamun. At Assos, on the tip of the Çanakkale peninsula between Troy and Edremit, great fallen columns and pillars, like sliced salamis, bear witness to great earthquakes of the past such as the one in 544 A.D. that shook Constantinople (now Istanbul) for 40 days.

Scattered like giant broken dolls are the stone heads and limbs of great stone figures, carved more than 2,000 years ago, which once guarded the top of Mount Nemrut and the tomb of King Antiochus. These ruined figures, originally standing in two terraces below what may have been a man-made top to the gleaming white mountain, are strangely reminiscent of the toppled statue heads on Easter Island in the Pacific. Turkey is full of such surprises from the past.

Many of the sites and deserted beaches along the southern coast are accessible only by boat, as surfaced roads and tracks are rare. Here, most of the area of southern Anatolia between Bodrum and Antalya, including Marmaris, are as yet relatively unknown to most tourists, except those from Britain and West Germany. It is in this region that major efforts are being concentrated to develop for more facilities for tourists. Existing hotels and marinas are being expanded and new ones constructed to cope with the influx of visitors. Yacht chartering is proving especially popular with West Germans and Britons, who are currently trail-blazing a coastline offering some of the best cruising anywhere in the Mediterranean.

The ruins of Ephesus, left, and Adiyaman, above, testify to Turkey's rich and ancient heritage.

The Aspendos Theater in Antalya, part of an area along the southern coast that is still relatively unknown to tourists.

For those with less time, a cruise around the Golden Horn or along the Bosporus from Istanbul should not be missed. Along the waterside are the palaces and former houses of rich Turkish merchants, many restored and in use as private homes. Also recommended is a trip to the Princes Islands, a group of nine pine-wooded islands with sandy beaches, an hour's sailing from Eminonu, one of Istanbul's many ferryboat terminals.

Traveling around the country by air, train or bus is inexpensive. An eight-hour train journey in first class may cost as little as $10, and a bus even less. Car hire is expensive in the cities. Hotels outside Ankara, the capital, and Istanbul are among the cheapest in Europe, and though usually simple, are clean and hospitable. There is a major shortage of first class tourist hotels at present.

Eating out, which is cheaper than anywhere else in the Mediterranean region, and Turkish warmth and hospitality, always make the experience enjoyable. Language is never a problem, for the waiter will lead you to the kitchen and let you point and choose from whatever is simmering away in the cauldrons — often delicious soups and stews. And, of course, there are always *kebabs*, which have crossed all language barriers

— Lee Vajsey

Revolutionizing Istanbul's Cultural Life

IT is no exaggeration to say that the Istanbul Foundation for Culture and Arts, the brainchild of Dr. Nejat Eczacibasi, one of Turkey's leading industrialists, has revolutionized the cultural life of Turkey's largest city. In the 15 years since the first International Istanbul Festival was organized, the rich summer program of music, dance and drama has become an institution.

"Our main problem now is the limited space for attendance," Dr. Eczacibasi said. "Istanbul needs a concert hall very badly." Concerts are now held in the Byzantine church of St. Irene, the Ataturk Cultural Center's Opera House; for large events, there is the inadequate Sports and Exhibition Palace.

To remedy this situation, Dr. Eczacibasi is organizing a project to build a 3,500-seat concert hall on the outskirts of the city. A Turkish architect who teaches in Paris has designed the structure, but "the formalities are not yet finished," Dr. Eczacibasi explains, adding that the cost of the project will require cooperation between private and public sources.

The Festival itself, even with less than perfect facilities, has grown considerably in breadth and stature since 1973. Of the more than 2,000 festivals held worldwide, Istanbul's is one of a select group of just 44 recognized by the European Association of Music Festivals. This year the program will be stretched to six weeks, instead of being squeezed into three. "Last year we were exhausted running from concert to concert," Dr Eczacibasi says. "This year it will be more relaxed."

Some of the highlights this summer will be performances by the Berlin Symphony Orchestra, the Moscow State Symphony and the Cracow Philharmonic Orchestra and Chorus. The Musica Antiqua Koln, the English Chamber Orchestra and the Festival Strings Lucerne will perform in the intimate St. Irene's. Flautist Jean-Pierre Rampal and 21 other artists will also give recitals in the church. Mozart's opera "Abduction from the Seraglio" will be performed in the courtyard of Topkapi Palace

Pop and jazz concerts are usually among the best attended events of the season. This year's hot tickets will undoubtedly include Chick Corea and Gary Burton, performing together; Ray Charles; Herbie Hancock; Al di Meola; and Ralph Towner.

"The locality is the reason for the Istanbul Festival," says Dr. Eczacibasi. The use of unique historic sites like St. Irene's and the Rumeli Fortress on the banks of the Bosporus give the festival its special flavor.

This year the Foundation is branching out to organize events in the Izmir area, utilizing such sites as the theater in Ephesus, one of the best preserved antique theaters in the world, and the fortress in Cesme.

Like so many other festivals, the one in Istanbul runs at a deficit. It enjoys government support in being given free use of the sites. The costs are born primarily by private contributions in the form of corporate sponsorship of individual events. Ticket sales (prices range from $2-$18) and advertising space in the Festival Program make up the difference.

The huge success of the Festival prompted Dr. Eczacibasi and the Foundation to sponsor yet another event — the International Filmdays, a two-week film festival showing about 130 films, now in its third year. Held in April, it gives film-starved Istanbulites a chance to see a wide variety of critically acclaimed movies from all over the world.

The enthusiastic response to the festival is slowly revitalizing the city's commercial cinemas, nearly moribund under the impact of television, home videos, and the lawlessness and foreign exchange shortage that crippled society here in the late 1970s.

The next venture of the Foundation will be the Istanbul Biennale, scheduled for September 15-November 15. Concentrating on the visual arts, it will be "very international in character," according to Dr. Eczacibasi. Well-known artists from around the world will come to Istanbul to show their work and paint in historic locations.

"This will complete Istanbul's cultural calendar," Dr Eczacibasi said. "Cinema in the spring, music in the summer and visual arts in the fall."

"I suppose I had always hoped to do something in the field of music," he admitted. "It was in me." During his university years in Berlin, before World War II, Dr. Eczacibasi studied violin at the Conservatory, but in the post-war years, as he was working from 12 to 14 hours a day to establish his pharmaceutical company, he rarely found time to open his violin case.

Now, his pharmaceutical company, bearing the Eczacibasi name, is Turkey's leading health-based industrial group, and the festivals Dr. Eczacibasi helped establish hold a place of pride in Istanbul's cultural life.

NYSE Most Actives

	Vol.	High	Low	Last	Chg.
StdOil	58465	73⅞	73¼	73½	+ ⅛
vJTexaco	47957	34⅝	32¼	33⅞	+1⅝
IBM	32055	159⅝	155⅜	158½	+3¼
PanAm	28910	4⅞	4⅜	4¾	+ ⅜
PinWst	26920	30½	29⅞	30⅛	+ ⅛
FordM s	25576	88	82⅞	87⅝	+5⅝
UCarb	20468	29⅞	28¾	29½	+ ¾
NL Ind pf	17056	15	14⅝	15	+ ⅛
Chrys s	15519	36¾	34⅞	36¼	+2¼
Ponlil n	14834	11⅝	10⅛	10⅝	— ⅜
AT&T	14436	24⅞	24¼	24¼	— ½
Navistr	14184	7⅛	6⅝	7⅛	+ ½
AMD	14158	24	22¾	23	— ¼
AmExp	13546	67¼	65¾	66½	+1⅛
NtSemi	13020	15½	14⅜	15⅜	+ ¼

Dow Jones Bond Averages

	Prev. Close	Today Noon
Bonds	89.51	89.82
Utilities	90.20	90.73
Industrials	88.81	88.91

Market Sales

NYSE 3 p.m. volume	143,800,000
NYSE prev. cons. close	212,604,590
Amex 3 p.m. volume	12,158,000
Amex prev. cons. close	12,490,000
Prev. OTC 4 p.m. volume	130,159,000

NYSE Diary

	Close	Prev.
Advanced	968	998
Declined	607	599
Unchanged	391	361
Total Issues	1966	1958
New Highs	27	22
New Lows	17	38

NYSE Index

	High	Previous Low	Close	Today 3 P.M.
Composite	161.35	157.49	159.80	161.79
Industrials	195.99	193.93	194.84	196.67
Transp.	136.13	134.49	134.49	136.04
Utilities	71.85	71.08	71.33	72.14
Finance	147.23	145.88	145.88	146.68

Odd-Lot Trading in N.Y.

	Buy	Sales	*Sh'rt
April 28	340,486	615,209	2,512
April 27	326,887	881,217	2,743
April 24	309,600	631,724	8,940
April 23	324,270	537,682	483
April 22	326,765	576,930	529

*Included in the sales figures

Wednesday's NYSE Closing

Via The Associated Press

Dow Jones Averages

	Open	High	Low	Last	Chg.
Indus	2248.01	2283.24	2228.27	2254.26	+ 22.30
Trans	911.79	920.98	901.81	910.88	+ 2.85
Util	201.40	203.82	200.48	202.10	+ 1.90
Comp	838.73	850.22	831.35	840.29	+ 6.74

AMEX Diary

	Close	Prev.
Advanced	321	311
Declined	272	275
Unchanged	227	238
Total Issues	820	824
New Highs	14	20
New Lows	20	24

Standard & Poor's Index

	High	Previous Low	Close	Today 3 P.M.
Industrials	331.55	326.74	327.64	332.29
Transp.	222.69	218.66	218.97	220.88
Utilities	108.73	106.97	107.50	108.90
Finance	28.08	27.61	27.62	27.88
SP 500	285.85	281.83	282.51	284.34
SP 100	281.47	277.74	277.74	279.90

NASDAQ Index

	Prev Close	Today 3 p.m.	Week Ago	Year Ago
Composite	411.94	414.62	418.56	389.18
Industrials	438.34	442.00	445.73	396.49
Finance	500.29	—	507.82	513.54
Insurance	418.55	—	419.30	447.98
Utilities	355.24	—	364.40	326.18
Banks	481.43	—	485.09	415.08
Transp.	385.28	—	396.86	363.40

Previous NASDAQ Diary

	Close	Prev.
Advanced	1,046	755
Declined	754	1,033
Unchanged	1,017	n.a.
Total Issues	2,817	n.a.

AMEX Most Actives

	Vol.	High	Low	Last	Chg.
Conqst	28666	5½	4⅞	5⅛	+ ½
WangB	14228	17¾	17¼	17⅝	+ ⅜
HmeSh s	11378	17¾	16⅜	17⅛	+ ⅜
Wickes	5697	4	3¼	3⅝	
Amdahl	5361	40½	39⅜	40⅛	+1
LeePh s	3297	7⅝	6⅞	6¾	— ½
DomeP	2819	1⅛	1	7⅛	
LorTel	2661	15⅜	14¼	14⅞	— ½
WhrEn s	2378	8⅝	8⅛	8⅝	+ ⅛
EchoB g	2246	42¼	41⅛	41⅞	— ⅛
NYTme s	1965	41¼	39½	40¼	— ¼
AExFF wt	1765	3⅝	3⅛	3⅜	— ⅛
EntMk s	1745	11⅜	10⅜	11	+ ¼
ImpOil g	1693	48⅜	47⅜	48⅛	+ ⅛
WDigitl	1659	28⅝	27¾	28	

AMEX Stock Index

High	Previous Low	Close	Today 3 P.M.
320.36	317.98	320.28	322.46

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

NYSE Focuses on Blue Chips

NEW YORK — Prices on the New York Stock Exchange rose in active trading Wednesday afternoon, helped by buying of blue-chip issues.

At 3:30 P.M., the Dow Jones industrial average was up 24.86 points at 2,256.82.

Gainers led losers by 2-1 among the NYSE issues traded.

Volume at 3 P.M. totaled 143.8 million sahres, down from 151.53 million in the same period Tuesday.

Traders said institutional investors were buying blue-chip issues. Otherwise, optimism was attributed to expectations that constructive news may emerge from the upcoming talks between President Ronald Reagan and Prime Minister Yasuhiro Nakasone of Japan on U.S.-Japanese trade tensions and currency issues.

Although most U.S. stock market tables in this edition are from the 4 P.M. close in New York, for time reasons, this article is based on the market at 3 P.M.

Prices rose despite slight weakness in the bond market.

"Investors were aware of bond prices Wednesday, but they weren't necessarily very influenced by it," said Trude Latimer, market analyst at Josephthal & Co. "The bond market isn't giving them too many heart attacks today."

Ms. Latimer said the market has gained some confidence this week but that the level of optimism was "not to be compared with what we had two years ago."

Traders characterized Wednesday's action as a "cautious rally," and said investors were still keeping an eye on the dollar, which many expect will experience further volatility.

"A lot of people think they may have to weather another small storm, so they are buying issues they won't mind being stuck in if the market does come down again," Ms. Latimer said.

With one hour to trade, Texaco was the most active NYSE-listed issue, rising 1¼ to 33¼ on unsubstantiated talk that it might be close to a settlement with Pennzoil. Pennzoil was up 1¼ to 78¼.

Pan Am was up ⅜ to 4¾ in active trading.

IBM was up 4⅜ to 159⅝. Among other high-technology issues, Cray Research, Texas Instruments and Digital Equipment were sharply higher. Advanced Micro Devices, National Semiconductor, Compaq and Motorola were ahead. Compaq was off a bit.

In the auto group, Ford Motor was up 6 to 87¾ after reporting record first-quarter earnings.

General Motors and Chrysler were also ahead.

USX was up a bit and Bethlehem Steel was down. Bethlehem Steel, the country's third-largest steelmaker, reported a first-quarter profit Tuesday, while USX, the nation's largest steelmaker, posted a $25.6 million loss.

Among blue chips, Goodyear, McDonald's, Eastman Kodak and Minnesota Mining & Manufacturing were each up over 2 points. Union Carbide and American Express were ahead in active trading.

On the Amex, Conquest Exploration, Wang Laboratories class B and Home Shopping Network topped the actives list, posting gains.

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
[illegible]										

(Continued on next left-hand page)

TECHNOLOGY

Computing Fluid Flows Is Easier One Cell at a Time

By JAMES GLEICK
New York Times Service

NEW YORK — Of all the hard problems occupying the world's supercomputers, one heads the list: calculating the flow of fluids. The equations that engineers use to study how air flows past the wing of an aircraft or water around a ship's hull are notoriously hard to solve, straining even the most powerful computers.

Yet these kinds of calculations pop up again and again, not only in designing planes, ships, rockets and automobiles but in forecasting the weather, which is one of the most difficult fluid-flow problems of them all. For the last few decades, computer scientists have tried to extend their grasp of such problems by designing ever more powerful computers. But even that approach is inadequate.

Dots hop from cell to cell, colliding and recoiling according to rules programmed into the computer.

What is needed, some physicists have come to believe, is a radically new approach to mathematical modeling, the method by which computers are used to simulate and predict the phenomena of the world.

Guided by this vision, a strange new wing of theoretical physics has yielded a way to completely sidestep the calculations that computers find so fiendish. Instead of using complex equations to mirror fluid flow, physicists are creating fantastically simple mathematical models known as cellular automata. A cellular automaton is a large array of cells, like the squares of a checkerboard or the hexagons of a honeycomb, that can be projected onto a computer screen.

On this lattice, dots hop from cell to cell, colliding and recoiling according to a few simple rules programmed into the computer. From millions of these minute interactions, a picture emerges of such familiar physical phenomena as the pattern that water takes when it flows past a rock in a stream.

These models, which are called automata because they run according to their own rules of motion, provide physicists with a miniature simulation of the universe. In the real world, space and time are continuous, or so physicists assume. In the simplified world of cellular automata, space is represented by the grid of cells. In the real world, molecules can move freely in infinitely many directions, at infinitely many speeds. In cellular automata, the dots are allowed to occupy only the cells of the lattice and can travel at only one speed.

BY IMPOSING so many constraints, these models seem at first to sacrifice the richness of the real world. But they gain in return an astonishing improvement in the speed of calculation. And to the surprise of some physicists, they seem to work.

"We're realizing that we don't need all these details that we've been worrying about all these years," said Brosl Hasslacher, a physicist at Los Alamos National Laboratory. "The reason people are super-excited is that these skeletal microworlds, which completely eliminate the details of real fluids, capture everything. I think we've just begun to see the power of it."

Researchers say that the new models are especially useful for calculating flows around complicated shapes, like the rear-view mirrors on the sides of a car. In a standard supercomputer, such shapes require many numbers to describe, making the calculations extremely complex. In cellular automata, shapes can simply be drawn onto the grid with a computer graphics terminal.

Because the same simple calculations are repeated millions of times, cellular automata are especially well suited to a new breed of computers that perform parallel processing. Even the powerful Cray supercomputers are serial machines: they break a problem into thousands of pieces that must be funneled one at a time through a central processor. Parallel machines avoid this bottleneck by using many processors to solve pieces of a problem simultaneously.

Currency Rates

April 29

Cross Rates

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	2.031	3.365	112.85 *	33.82 *	0.1576 *	—	5.439 *	137.24 *	144.13 y
Brussels(a)	37.245	61.70	20.749	6.2280	2.902 *	18.3665	—	25.364	26.535 *
Frankfurt	1.7907	2.976	—	29.96 *	1.3965 x	88.625 *	4.82 *	121.74 *	1.277 *
London (b)	1.6585	—	2.9718	9.912	2,127.50	3.3575	61.605	2.4488	232.72
Milan	1,287.90	2,128.50	715.18	214.40	—	633.76	34.478	870.45	9.143
New York(c)	—	0.4288 #	1.793	5.9815	1,282.50	2.023	37.17	1.4740	140.80
Paris	6.0015	9.920	3.3354	—	4.4435 x	2.9554	16.0795 *	4.0595	4.263 *
Tokyo					Closed				
Zurich	1.4790	2.4439	82.17 *	24.43 *	0.1146 *	73.78 *	3.9555 *	—	1.0491 *
1 ECU	1.185	0.6985	2.0779	6.9316	1,486.51	2.3402	43.114	1.7077	163.437
1 SDR	1.2001	0.7857	2.3386	7.800	1,471.12	2.6403	48.3489	1.9195	N.Q.

Closings in London and Zurich, fixings in other European centers. New York rates at 3 P.M. (a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000 N.Q.: not quoted; N.A.: not available. (#) To buy one pound: $U.S.1.659

Other Dollar Values

Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$
Argen. austral	1.535	Fin. markka	4.375	Mex. peso	1,184.00	S. Kor. won	831.50
Austral. $	1.4205	Greek drac.	132.30	N. Zealand $	1.7206	Soviet ruble	0.6247
Austr. schil.	12.65	Hong Kong $	7.802	Nig. naira	3.89	Span. peseta	125.72
Belg. fin. fr.	37.45	Indian rupee	12.66	Norw. krone	6.6175	Swed. krona	6.282
Brazil cruz.	24.25	Indo. rupiah	1,639.50	Phil. peso	20.49	Taiwan $	33.10
Canadian $	1.3394	Irish £	0.6729	Port. escudo	139.30	Thai baht	25.505
Chinese yuan	3.7221	Israeli shek.	1.5806	Saudi riyal	3.7512	Turkish lira	794.90
Danish krone	6.7725	Kuwaiti dinar	0.2712	Sing. $	2.1275	UAE dirham	3.673
Egypt. pound	1.36	Malay. ring.	2.4805	S. Afr. rand	1.9976	Venez. boliv.	24.10

£ Sterling: 1.1128 Irish £

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Goldbank (ruble). Other data from Reuters and AP.

Interest Rates

April 29

Eurocurrency Deposits

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	ECU	SDR
1 month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6¾-7	5⅝
2 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6¾-7	5⅝
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6¾-7	6
6 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6 ¾-7 ⅛	6⅛
1 year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7-7⅛	6⅛

Sources: Morgan Guaranty (dollar, DM, SF, Pound, FF); Lloyds Bank (ECU); Reuters (SDR). Rates applicable to interbank deposits of $1 million minimum (or equivalent).

Key Money Rates *April 29*

	Close	Prev.
United States		
Discount rate	5½	5½
Prime rate	7¾	7¾
Federal funds	6 13/16	[illegible]
Com. paper 30-179 days	[illegible]	[illegible]
3-month Treasury bills	[illegible]	[illegible]
6-month Treasury bills	[illegible]	[illegible]
3-month CD's	[illegible]	[illegible]
Japan		
Discount rate	2½	2½
Call money	[illegible]	[illegible]
1-month interbank	[illegible]	[illegible]
3-month interbank	—	3 15/16
West Germany		
Discount rate	3	3
Lombard rate	5	5
Overnight rate	[illegible]	[illegible]
1-month interbank	[illegible]	[illegible]
3-month interbank	[illegible]	[illegible]
6-month interbank	[illegible]	[illegible]
Britain		
Bank base rate	9½	10
Call money	9 ⅞	[illegible]
3-month interbank	9 3/32	9 5/32
91-day Treasury bill	9 1/16	9 1/16
France		
Intervention rate	7¾	7¾
Call money	7¾	7 13/16
1-month interbank	7 15/16	7 15/16
3-month interbank	[illegible]	[illegible]
6-month interbank	[illegible]	[illegible]

Sources: Reuters, Bank of Tokyo, Commerzbank, Crédit Lyonnais.

Asian Dollar Deposits *April 29*

1 month	[illegible]
2 months	[illegible]
3 months	[illegible]
6 months	[illegible]
1 year	[illegible]

Source: Reuters.

U.S. Money Market Funds *April 28*

Merrill Lynch Ready Assets
30 day average yield: 5.36
Telerate Interest Rate Index: 6.519
Source: Merrill Lynch, Telerate.

Gold

April 29

	A.M.	P.M.	Chge
Hong Kong	[illegible]	[illegible]	[illegible]
Luxembourg	[illegible]	—	[illegible]
Paris (12.5 kilo)	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]
New York	—	[illegible]	[illegible]

Luxembourg, Paris and London official fixings; Hong Kong and Zurich opening and closing prices; New York spot market close. All prices in U.S. $ per ounce.
Source: Reuters.

France, Italy Join On Chips

Thomson, STET Plan Dutch Firm

By Axel Krause
International Herald Tribune

PARIS — Thomson-CSF of France and SGS Microelettronica SpA of Italy announced plans Wednesday to create Western Europe's second-biggest semiconductor company by combining key operations in a venture based in Amsterdam.

The French and Italian governments, which control the two ailing companies, approved the merger of microchip activities after five months of negotiations. Military-related activities in the semiconductor field were excluded from the venture for national security reasons, executives said.

SGS is a subsidiary of Italy's state-owned Società Finanziaria Telefonica, or STET.

Thomson SA of France, which focuses on consumer goods, engineering and industrial products, owns 55 percent of the avionics and electronics unit Thomson CSF, with the remainder of the shares publicly held.

Alain Gomez, chairman of Thomson SA, said, meanwhile, that Thomson-CSF's consolidated net attributable profit more than doubled last year, to a record 2.18 billion francs ($364 million) from 960 million francs in 1985.

Industry analysts and at least one competitor praised the merger, the first of its kind in the West European semiconductor industry. They emphasized that it would bolster Western Europe's efforts to compete more effectively against American and Japanese companies.

The main goals, French and Italian company executives said, are to restore profitability to the units and to establish a "world-class semiconductor company" by 1990 with annual sales of over $1 billion. Western Europe's largest semiconductor maker is Philips NV of the Netherlands.

"The merger provides us with the critical mass needed to compete successfully in a increasingly fierce international environment," Mr. Gomez said. "And the means we chose allowed us to move swiftly with little cost, and involved few risks."

Although many details remain to be settled, including the new company's name, Mr. Gomez said in Paris that Thomson and STET would each own 50 percent of the company.

Company sources said that Olivetti SpA of Italy had been seeking a minority share in the venture but was rejected by Thomson.

Mr. Gomez said that layoffs were anticipated at the two semiconductor units, which have a combined work force of 19,000. He declined to predict when the new company would begin generating profits.

Thomson-CSF controls about 1.7 percent of the world semiconductor market, amounting to $436 million in yearly sales. Half of its revenue is generated by custom-made and standard metal oxide, or semiconductors for the electronics industry, which are used in cars, telephones, television sets.

Its semiconductor unit posted an estimated $33 million loss last year, industry sources said.

SGS, with 1.5 percent of the world market, generated half of its $375 million in revenue last year through sales of bipolar semiconductor products, which have industrial applications including refineries, aluminum plants and locomotives.

The Associated Press

A Coca-Cola ad draws a crowd outside a store in Beijing.

Madison Avenue Moves Into China

By Bruce Horovitz
Los Angeles Times Service

LOS ANGELES — Maxwell House coffee might sound as American as apple pie. But General Foods Corp. executives would also like to make it as Chinese as Peking duck. Likewise for some of its other products, like Kool Aid and Tang.

The food giant, a unit of Philip Morris Cos., is trying to introduce some of its brands to a previously untapped nation of 1.2 billion people. For example, it is beginning to advertise Maxwell House on Chinese television, which has one national channel.

"You don't just import ads from New York," said James C. Tappan, group vice president at General Foods. "You have to develop ads specifically for the market."

Some of America's biggest companies, including International Business Machines Corp., American Telephone & Telegraph Co. and PepsiCo Inc., have long recognized that China is crucial to future growth. After a ban on advertising that stretched more than three decades, the government lifted the restrictions in 1978.

Two months from now, the Chinese government, with the blessing of Prime Minister Zhao Ziyang, will play host to a gathering of more than 1,000 advertising and marketing executives at a conference in Beijing. As one signal of the government's new interest in foreign advertising, the conference has been scheduled in the Great Hall of the People. That is roughly similar to a computer conference taking place in the U.S. Senate chamber.

As the Chinese look to increase trade with the West, advertising in China has grown 50 percent a year since 1979. An estimated $200 million was spent on advertising in China last year, but only 10 percent of that was ads for foreign products.

Many government restrictions on advertising are yet in force. For example, tobacco and alcohol ads are taboo. And comparative advertising is not allowed.

"Advertising is a very, very young industry to the Chinese," said Caroline Nicholson, manager of the coming conference, "Beijing '87."

"Nobody can just come to China and start selling a product," she said. Above all, the product's name must become very familiar — and trusted "almost like a friend," she said.

Among the first to recognize this were the Japanese. Toyota and Sony, for example, both began to advertise in China years before the products were even available there. That is because the Chinese are "very brand-conscious," said Alexander Brody, president and chief executive officer of Dentsu-Young & Rubicam, a joint venture of the Japanese and American ad giants. "Unfamiliar brands are deeply distrusted," he said.

Coca-Cola and Pepsi-Cola have tried to slowly build brand images in China. "We're really just a guest here," said John Georgas, executive vice president at Coca-Cola Co. "So we're trying to act that way."

Coke does very little TV advertising in China, and Pepsi ads do not appear on Chinese TV at all. Coke and Pepsi billboards are rare. And most of Coke's advertising is limited to signs at the stores where it is sold. In part, that is because Coke still has very limited availability in China. "If the availability isn't there yet," asked Mr. Georgas, "why raise expectations?"

Fraud Casts a Pall Over VW Meeting

By Ferdinand Protzman
International Herald Tribune

FRANKFURT — Volkswagen AG will report its 1986 earnings on Thursday, and the foremost question is how losses of up to 480 million Deutsche marks ($267 million) from a currency fraud scandal will affect the giant automaker's balance sheet.

Analysts will also be watching to see how VW will act to restore credibility and investor confidence, which have been damaged by tales of questionable management and infighting among executives.

On March 11, VW disclosed that it had lost up to 480 million DM through forward dollar contracts, which are designed to hedge against exchange-rate losses but which were forged. VW also alleged that entire computer data bases were erased and programs altered to facilitate the fraud.

VW said then that reserves would have to be set aside to cover the possible losses, but that 1986 earnings would match 1985's.

In 1985, VW posted a group profit of 595.6 million DM, more than double the 288 million DM in 1984. Sales rose 15 percent, to 52.5 billion DM.

However, West German companies can legally manipulate their net profit figures by a variety of balance sheet manipulations. For example, hidden reserves can be tapped to maintain profits and dividends at specific levels.

For that reason, the figure that will most interest analysts on Thursday will be VW's operating earnings, which exclude such one-time gains.

"VW's operating earnings will be lower than they were in 1985 and they will also be lower this year," said Hans-Joachim Pilz, an analyst for Bank in Liechtenstein GmbH in Frankfurt.

"Besides the scandal, their SEAT subsidiary in Spain, as well as the Brazilian and U.S. operations are producing losses. But VW had such a super year in 1985, that their cash reserves are very well stocked."

VW's sales in Europe have continued to be very good, Mr. Pilz added. Other analysts said sales of the Golf GTI model, with a recently introduced 16-valve engine, have been notably strong.

But the currency scandal and the resulting management shake-up will cast a long shadow over VW's annual meeting Thursday. An investigation by West German prosecutors into the fraud is continuing.

As part of the shake-up, Burkhardt Junger, VW's chief foreign exchange dealer, was fired and later arrested on suspicion of fraud. Six other financial officials were indefinitely suspended.

Rolf Selowsky, former VW financial director, also lost his job, though company officials say he is not suspected of criminal actions.

Carl H. Hahn, VW's managing board chairman, had openly feuded with Mr. Selowsky prior to the scandal over the company's methods of financial control. In 1986, Mr. Selowsky rallied allies on the board to defeat a proposal backed by Mr. Hahn to install a controller.

Banking sources said that kind of behind-the-scenes, political wrangling is not new to VW and may be the root of its troubles.

The Bonn government had planned to sell its VW shares in 1987, as the centerpiece of its denationalization policy. Analysts agree that the sale is out of the question for now.

U.S. Indicators Rose in March, Paced by Shares

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. government's main gauge of future economic activity rose a moderate 0.4 percent in March, indicating continued growth in coming months, the Commerce Department said Wednesday.

Led by a jump in stock prices, the gain in the Index of Leading Indicators matched a revised 0.4 percent increase in February and followed a 0.4 percent decline in January. The February rise had been reported as 0.7 percent.

In a separate report, the department said sales of new homes slumped 3.6 percent in March.

The steady gains in the leading index, designed to predict economic activity in six to nine months, seem to support the Reagan administration's belief that there is little danger of the country tumbling into a recession soon.

Many private economists agree with this assessment, although they believe that economic growth this year will be much slower than the 3.2 percent the administration is predicting.

These analysts believe that rising interest rates in recent weeks, triggered by the falling dollar and new fears of inflation, will cut into growth in the second half of 1987.

Despite 4.3 percent growth in the first quarter, some are predicting a rate for the entire year closer to the lackluster 2.5 percent increase in 1986. That had been the slowest pace since the recession year of 1982.

Many analysts saw weakness in the 4.3 percent jump in gross national product because so much of the rise came from the rebuilding of business inventories.

The strength in the March leading indicators came from a big rise in stock prices, which set a string of new record highs during the month. However, the stock market has dropped substantially during April, with the Dow Jones industrial average falling by more than 170 points. This steep decline will be a big negative influence on the April index.

In all, six of the nine indicators made positive contributions in March.

Other positive factors were a decline in unemployment claims, delays in business delivery times, a rise in orders for capital equipment, a gain in orders for consumer goods and an increase in building permits.

Three indicators held back growth in the index. The largest negative factor came from a drop in the length of the average workweek, followed by declines in raw materials prices and a slowdown in growth of the money supply.

Two indicators, business and consumer credit and business inventories, were unavailable for inclusion in the report, suggesting the figure will be revised later.

The various changes left the leading index at 187.5 of its 1967 base of 100.

The 3.6 percent fall in sales of new single-family homes brought the March figure to an an annual rate of 699,000 units, down from a February sales pace of 725,000.

(AP, Reuters)

Bonn Reports Strong Surplus In March Trade

Reuters

BONN — West Germany announced Wednesday that it posted another strong merchandise trade surplus in March, surprising economists who had expected a drop in exports because of the Deutsche mark's appreciation against the dollar.

The Federal Statistics Office in Wiesbaden said that the surplus amounted to 10.1 billion DM ($5.6 billion), down only slightly from 10.4 billion DM in February and far higher than 8.5 billion for March 1985.

The current account surplus, which includes trade in services, jumped in March to 8.8 billion DM from a revised 6.5 billion DM in February. It was more than double the 4.3 billion DM surplus of March 1986.

Economists said that the March trade surplus could result in renewed pressure from Washington, which wants West Germany to buy more and export less so that the huge U.S. trade deficit can be reduced. But the strong exports also were seen as a positive sign for West German economic growth, which has faltered recently.

Because the dollar's fall against the mark has boosted the price of West German exports, analysts had expected the goods to be less competitive. But figures showed that March exports were 11 percent higher than in February and 7.6 percent higher than in March 1985.

Wednesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued)

12 Month High	12 Month Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Chg.
Y										
24½	13½	Yorkin			14	68	22⅞	22½	22½	— ⅛
Z										
6	2¾	Zapata				122	4⅛	4	4⅛	
43⅞	25¾	Zayre s	.40	1.6	16	2959	25¾	24½	24½	+ ⅞
14¾	9⅛	Zemex	.40	3.0	8	4	13⅝	13¼	13⅜	— ⅛
29⅞	18⅞	ZenithE				1909	27	26⅝	26⅞	
18¼	8	ZenLb s				700	16⅝	16⅛	16⅛	— ⅛
29⅝	12⅞	Zero	.36	2.1	18	285	17⅝	17	17¼	+ ⅛
51¾	23⅝	Zurnin	1.32	2.8	18	44	46½	46⅛	46½	+ ½
10⅞	8¾	Zweig n	.10e	1.1		786	9⅛	9⅛	9⅛	+ ⅛

NYSE Highs-Lows

NEW HIGHS 27

AGS Cptr	AMD pf	AmHertLf	Appld Mag
BritAirwy pp	Brit Pet	BritTelPn	CabotCp
Cenergy	CompaqCpt	Conrail n	CntrData
EatonCp	GerberSci	Goodyear	Hancock Fab n
Hannafrd	Ionics Corp	Kysor Ind	Lukens Inc
Motorola	NCR Co	ParPharm	PrimeCm
StdOil	VarianAsc	Veeco	

NEW LOWS 17

AmCentCp	BeviIntPr n	CP Natl	CalREIT
CarolcoP n	CenLaElec	EquitRE n	FinCpAm pf
Grumman pf	GHSU 440pr	IntMinr pf8	LomNMtg
MDC Corp	MellonBk	PennVKa n	Southind pf
SwstAirl			

Canada, Ontario Resolve Dispute Over Securities-Industry Rules

Reuters

TORONTO — The Canadian and Ontario governments said they have resolved a dispute over regulation of Ontario's securities industry that threatened to delay the June 30 proposed deregulation of financial services.

Under the agreement, announced Tuesday, the federal government will have limited authority for the first time in the securities industry, which had been regulated exclusively by the provincial government. The province will receive in turn some authority over federally regulated banks.

The pact also maintains the federal government's control over rules that allow foreign companies into Canadian financial markets.

Ontario had sought authority to restrict entry by a foreign concern if its home country denied similar access to Canadian companies.

Under the agreement, the Canadian government will oversee government bond and money-market trading by banks and other federally regulated financial institutions. Ontario will oversee primary distribution of stocks and corporate bonds as well as most stock trading by banks and other federal financial institutions, which will provide these services through separate subsidiaries.

Mexican GDP Fell 3.8% In 1986 on Oil Slump

The Associated Press

MEXICO CITY — Mexico's central bank has said that the nation's gross domestic product fell by 3.8 percent last year, as shriveling oil income and a lack of foreign credits aggravated an existing economic crisis.

In its annual report issued Tuesday, it said that in 1986, "the country faced the most unfavorable foreign economic situation of the last half century."

The average price for Mexican crude oil in 1986 was $11.80 a barrel, it said, about half the 1985 average and far below the $23 price used for the country's original economic plans for last year.

As a result, exports of crude oil and petroleum products brought in $8.5 billion less than the $14.7 billion in 1985, a loss exceeding the contribution of agriculture to the gross domestic product.

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

U.S. Futures

Via The Associated Press

April 29

Grains | Food | Metals | Livestock | Financial | Industrials | Stock Indexes

VALUE LINE (KCBT)
points and cents

Season High	Season Low		Open	High	Low	Close	Chg.
275.15	219.50	Jun	254.00	256.00	252.40	255.40	+.95
272.50	222.00	Sep	253.00	253.70	251.50	254.10	+1.35
272.10	240.00	Dec	251.50	251.50	251.50	251.50	+1.40

Est. Sales Prev. Sales 3,012
Prev. Day Open Int. 7,647 off 13

NYSE COMP. INDEX (NYFE)
points and cents

Season High	Season Low		Open	High	Low	Close	Chg.
173.35	131.05	Jun	161.05	162.30	160.05	160.75	+.45
174.50	133.90	Sep	162.10	163.20	161.10	161.50	+.45
175.45	140.30	Dec	163.00	164.20	162.80	163.00	+1.00
176.50	150.40	Mar	164.00	165.20	164.00	164.00	+1.05

Est. Sales Prev. Sales 17,486
Prev. Day Open Int. 14,849 up 662

Commodity Indexes

	Close	Previous
Moody's	970.00 f	970.40 f
Reuters	1,576.70	1,570.50
D.J. Futures	N.A.	123.32
Com. Research.	N.A.	218.96

Moody's : base 100 : Dec. 31, 1931.
p - preliminary; f - final
Reuters : base 100 : Sep. 18, 1931.
Dow Jones : base 100 : Dec. 31, 1974.

Market Guide

CBT:	Chicago Board of Trade
CME:	Chicago Mercantile Exchange
IMM:	International Monetary Market Of Chicago Mercantile Exchange
NYCSCE:	New York Cocoa, Sugar, Coffee Exchange
NYCE:	New York Cotton Exchange
COMEX:	Commodity Exchange, New York
NYME:	New York Mercantile Exchange
KCBT:	Kansas City Board of Trade
NYFE:	New York Futures Exchange

Currency Options

PHILADELPHIA EXCHANGE April 28

Paris Commodities

April 29

London Commodities

April 29

Asian Commodities

April 29

London Metals

April 29

Dividends

April 29

Spot Commodities

April 29

Commodity	Today	Prev.
Aluminum, lb	65.6	65.90

U.S. Treasuries

April 28

DM Futures Options

W. German Mark-125,000 marks, cents per mark

April 29

S&P 100 Index Options

April 28

Calls: total volume 222,553; total open int. 658,238
Puts: total volume 125,244; total open int. 510,171
S&P 100 Index:
High 281.87 low 277.24 close 277.24 —4.75
Source: CBOE.

Air France Considering Joint Reservation Setup

Reuters

PARIS — Air France and other members of the 20-country Association of European Airlines are studying the joint purchase of an improved computer reservation system to fend off competition from U.S. systems, an Air France spokeswoman said.

Industry sources said Tuesday that Air France is also considering merging its existing computer reservation system with those of a smaller group of major state airlines, including include Lufthansa, Iberia and SAS.

BUSINESS ROUNDUP

Philips Plans Share Issue, Reports 42% Rise in Net

Reuters

AMSTERDAM — The Dutch electronics giant, NV Philips, said Wednesday that it planned to issue 20 million common shares to strengthen its global presence.

The offering, Philips's largest international issue, will be launched on the New York Stock Exchange and the 17 European bourses where Philips is listed.

A board member, Jan Zantman, said the issue was expected to raise 1 billion guilders ($494 million), based on a price of 50 guilders a share.

Earlier, Philips reported that first-quarter net profit rose 42 percent, to 205 million guilders, from the like 1986 period. Sales fell 9 percent to 11.88 billion guilders.

Mr. Zantman said the company's positive position and a favorable investment climate prompted the new share issue. The move is aimed at extending ownership of Philips shares and is part of a drive to strengthen the company's worldwide presence.

Earlier this month, Philips's chairman, Cor van der Klugt, inaugurated trading of the company's shares on the New York Stock Exchange. Philips's U.S. shares had been traded over the counter.

"We want shareholders to benefit from our improved profits," Mr. Zantman said.

Philips shares slipped on the Amsterdam Stock Exchange after the news to 49 guilders, from 49.70 guilders on Tuesday.

The company said the new issue would dilute its share capital by nearly 9 percent, bringing the shares outstanding to 252 million.

Philips said it was still seeking bourse listings in Milan and Tokyo. The latter would be a significant step in Philips's aim to strengthen its foothold in Japan.

Philips has no intention of buying out the remaining 42 percent of the shares in North American Philips Corp. that it does not own. These shares are also listed on the New York Stock Exchange, alongside those of the parent company.

Regarding the first-quarter performance, company officials said operating profit improved worldwide, notably in North America, but export earnings slipped because of the strong guilder.

Sales rose in nearly all product divisions and geographical areas and the company saw continuing high growth in consumer electronics in the United States.

Mr. Zantman said that Philips's U.S. microchip producer, Signetics, had a smaller deficit than a year earlier because of a gradual recovery of the U.S. semiconductor industry. He said he expected Signetics to be profitable in the second quarter.

Ford Profit Soars 105% in Quarter

United Press International

DETROIT — Ford Motor Co. announced record earnings on Wednesday for the first quarter of 1987, with net income leaping 105 percent, beating the combined profits of General Motors Corp. and Chrysler Corp.

Ford, the second-ranked U.S. automaker, said its profit of $1.49 billion, or $5.73 a share, for its worldwide operations is the highest quarterly profit its 84-year history.

Sales rose 23 percent to $18.14 billion.

Ford's U.S. operations earned $1.16 billion, up 94 percent. Non-U.S. sales totaled $330 million, up 150 percent. The improvements reflected stronger operations in Europe as well as increased market share and efficiencies, the automaker said.

Factory sales of cars, trucks and tractors rose to 1.63 million units from nearly 1.49 million units in the first quarter of 1986. Ford's share of the U.S. auto market rose 2 percentage points to 20 percent compared with the 1986 period.

"The record first-quarter earnings reflect strong performance in the market and continued improvements in Ford's ongoing level of profitability," Ford said.

"Improvements in product quality, manufacturing technology and productivity are providing greater satisfaction for our customers, better return for our stockholders and higher profits sharing for most of our U.S. employees," it said.

Ford's finance subsidiary, Ford Motor Credit Co., reported a 44 percent increase in profit to $196 million, while its First Nationwide Financial banking unit earned $26 million, an 18 percent gain.

One industry analyst, Thomas F. O'Grady of Integrated Automotive Resources Inc. in suburban Philadelphia, called Ford's earnings "fabulous."

"Given the combination of the industry's slower sales and the costly sales incentive programs which were going against them, the results are phenomenal," Mr. O'Grady said.

Ford is the only one of the Big Three U.S. automakers to report a year-to-year increase in first-quarter profits, with industry analysts and the other makers attributing the decline to costly buyer incentive programs and plant investment.

Last week GM, the giant of the auto industry, reported a 23 percent decline in first quarter profit to $922 million, or $2.62 a share.

GM's sales declined 3 percent, to $26.1 billion.

On Monday, Chrysler said its first quarter profit fell 24 percent as buyer incentives and plant improvements ate into profit.

The No. 3 automaker's earnings were $269.7 million, or $1.24 a share. The per-share figure was adjusted for a 3-for-2 stock split announced in March.

Chrysler sales totaled $6 billion, up 3 percent.

Merrill Reports Big Loss On Unauthorized Trades

The Associated Press

NEW YORK — Merrill Lynch & Co. said Wednesday that it had a second-quarter paper loss of about $250 million on mortgage-backed securities because of unauthorized activity by one of its employees and subsequent volatility in the market.

The employee, who was not identified, recently was dismissed, the company said. It described the unauthorized activity as "significant" and refused to comment further, saying that the case had been referred to a regulatory agency.

Texaco's Profit Plunged by 64% In First Quarter

Reuters

WHITE PLAINS, New York — Texaco Inc. said Wednesday that first-quarter profit fell 64 percent, to $118 million, from $328 million in the like 1986 period. It cited declining profit margins in oil refining and marketing and the costs of its legal dispute with Pennzoil Co.

That dispute forced Texaco to seek protection on April 12 from its creditors under Chapter 11 of the Federal Bankruptcy Code.

Texaco's per-share earnings fell to 49 cents from $1.37 a year earlier, with revenues down 11 percent to $8.5 billion from $9.6 billion

Texaco said its situation in the first quarter, when oil prices were rising, reversed that of the year-ago period. Then, the company benefited because it did not immediately pass on declining crude oil prices to retail customers.

Olivetti in Talks On Equity Sale to Japanese Investors

Special to the Herald Tribune

ROME — Olivetti SpA, Europe's biggest office equipment and personal computer group, said it has been holding talks with a Japanese investment bank to sell an equity stake in the company to Japanese interests.

Carlo De Benedetti, Olivetti's chairman, said Tuesday that he held talks on a possible sale with Nomura Securities Co. during a trip to Japan early this week.

"The chance that Japanese capital may buy into Olivetti is quite good," he said, but declined to indicate how big a stake might be involved, or which Japanese companies Nomura could be representing. A final announcement is expected before the annual shareholders meeting on June 23.

American Telephone & Telegraph Co. already owns 23.5 percent of Olivetti, with an option for a further 15 percent in 1990. Volkswagen AG holds a 5 percent share.

Olivetti has already established some links with Japanese companies. Its Japanese operating company is 20 percent owned by Toshiba Corp., and in Europe the company produces and markets office copiers in cooperation with Canon Inc.

Deutsche Bank to Get Tax Reimbursement

Reuters

BONN — Deutsche Bank AG is to receive 2 billion Deutsche marks ($1.12 billion) from federal and state governments because it paid too much tax in connection with the public sale of the Flick industrial group, news reports said Wednesday.

A spokesman for the West German Finance Ministry confirmed that a repayment would be made but declined to specify the amount. The Bonn newspaper General-Anzeiger attributed the 2 billion DM figure to Westfälische Rundschau, a newspaper in Dortmund.

Wednesday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
Via The Associated Press

AMEX Highs-Lows

NEW HIGHS 14

AmBusshn n, AmTr-dew sc, AmTr-ek sc, AlertCo n, BanistrCh g, ChampPrd s, CtrlD pf, CrownCr, Fidata, FordCan g, Lewinedo n, Softron, Versar n, WeldTAm

NEW LOWS 20

Alfin s, AmTr-on sc, AmTr-dew pr, Baldwin Sec, CareEnt A, Comstron, EcolEnv n, FidelFood n, HardRck n, HarrisTetr n, Intl Balaoil, LeePharm s, LarimarTel, NantuckIn n, PerInlInv pf, RAI Rsch, ResidAlg n, RoyPalmCal, SmithAO pf, UnivPat

Midwest to Trade OTC Stocks

The Associated Press

CHICAGO — The Midwest Stock Exchange said Wednesday that it has won permission from the U.S. Securities and Exchange Commission to become the first American exchange to trade over-the-counter stocks.

Midwest officials said that 25 OTC stocks would begin trading on the exchange on an unlisted basis on May 18. The exchange has been seeking permission since late 1984 to trade unlisted stocks and tap into the substantial growth in the over-the-counter market.

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

United States

Alco Standard

2nd Quar.	1987	1986
Revenue	880.50	1,046.
Net Inc.	15.40	11.50
Per Share	0.46	0.53

1st Half	1987	1986
Revenue	1,746.	2,070.
Net Inc.	30.20	24.30
Per Share	1.38	1.16

Allegheny Int'l

1st Quar.	1987	1986
Revenue	310.60	330.90
Net Inc.	(a)38.8	17.50
Per Share	—	0.92

a: loss. 1987 net includes charge of $38.2 million.

Amax

1st Quar.	1987	1986
Revenue	764.6	303.7
Net Inc.	122.4	53.4
Per Share	1.41	0.49

1987 net includes gain of $153 million and losses of $10 million.

Armstrong World Ind.

1st Quar.	1987	1986
Revenue	541.1	430.9
Net Inc.	31.9	24.4
Per Share	0.67	0.50

1986 results restated for 2-for-1 split in Nov.

Ball

1st Quar.	1987	1986
Revenue	276.6	240.6
Net Inc.	11.7	12.3
Per Share	0.51	0.53

1986 net includes gain of $2.7 million.

Bethlehem Steel

1st Quar.	1987	1986
Revenue	1,130.	1,178.
Net Inc.	25.6	(a)71.8
Per Share	0.38	—

a: loss. 1987 net includes gain of $32.5 million and expenses of $10 million. 1986 results restated.

Boeing

1st Quar.	1987	1986
Revenue	3,760.	3,530.
Net Inc.	118.0	148.0
Per Share	0.76	0.95

Borg-Warner

1st Quar.	1987	1986
Revenue	878.0	837.0
Net Inc.	52.4	49.4
Per Share	0.60	0.54

Nets include gains of $18.4 million vs $14.3 million.

Chevron

1st Quar.	1987	1986
Revenue	6,800.	8,800.
Net Inc.	198.0	377.0
Per Share	0.58	1.10

Nets include gains of $233 million vs $36 million and loss of $2 million.

Cincinnati Milacron

1st Quar.	1987	1986
Revenue	189.4	181.6
Net Inc.	4.66	5.19
Per Share	0.19	0.22

1987 net includes loss of $604,000.

Cons. Edison N.Y.

1st Quar.	1987	1986
Revenue	1,288.	1,410.
Net Inc.	159.7	132.5
Per Share	1.27	1.02

Detroit Edison

1st Quar.	1987	1986
Revenue	708.5	748.9
Net Inc.	131.4	104.4
Per Share	0.90	0.71

Engelhard

1st Quar.	1987	1986
Revenue	538.0	526.2
Net Inc.	24.3	11.4
Per Share	0.60	0.28

1987 net includes gain of $10.8 million. Per share results adjusted for 3-for-2 split in March.

Fieldcrest Cannon

1st Quar.	1987	1986
Revenue	303.8	208.4
Net Inc.	2.41	(a)6.19
Per Share	0.24	—

a: loss. 1986 net includes tax credit of $4.1 million and charge of 75 cents per share.

Foster Wheeler

1st Quar.	1987	1986
Revenue	299.8	291.7
Net Inc.	10.8	7.01
Per Share	0.31	0.20

Hershey Foods

1st Quar.	1987	1986
Revenue	590.2	508.0
Net Inc.	32.9	27.0
Per Share	0.36	0.29

Per share results adjusted for 3-for-1 split in Sept.

Int'l Flavors & Frag.

1st Quar.	1987	1986
Revenue	179.0	148.0
Net Inc.	27.6	22.1
Per Share	0.73	0.59

IU Int'l

1st Quar.	1987	1986
Revenue	384.0	352.0
Oper Net	4.17	1.72
Oper Share	0.15	0.06

Nets exclude tax credits of $1.7 million vs $5.2 million. 1986 net excludes gains of $4.5 million.

Kerr-McGee

1st Quar.	1987	1986
Revenue	546.8	718.9
Net Inc.	20.22	22.13
Per Share	0.42	0.45

Norfolk Southern

1st Quar.	1987	1986
Revenue	979.5	1,020.
Net Inc.	124.8	103.7
Per Share	0.66	0.55

1987 net includes gain of $32.8 million.

CURRENCY MARKETS

Dollar Mixed in Cautious Trading

Compiled by Our Staff From Dispatches

LONDON — The dollar closed mixed Wednesday in Europe as the widespread belief that the U.S. currency will continue to weaken overpowered an early short-covering rally.

Trading was relatively slow, however, as the Japanese markets were closed for a national holiday. Dealers added that with a string of market holidays later this week and next, dollar trading was likely to remain thin and volatile.

Dealers said that the dollar was unaffected by the U.S. Commerce Department's announcement that the nation's main forecasting measure of economic activity rose 0.4 percent in March.

"Nobody is looking at these kind of figures these days," said a dealer at a large West German bank in Frankfurt.

Dealers said that European trading revived in the early afternoon when U.S. dealers tried unsuccessfully to push the dollar below support levels of 141 yen and 1.80 Deutsche marks.

Although sentiment remained bearish for the U.S. currency, market participants were cautious amid uncertainty about U.S. credit and trade policies.

In London, the dollar closed at 1.7935 DM, slightly below Tuesday's finish at 1.7956 DM, after trading between a low of 1.7905 DM, posted in late business, and a high of 1.8020.

It firmed against the yen at 140.25, up from 139.75 yen Tuesday, after trading within a range of 140 to 141.10 yen. The dollar also rose against the Swiss franc, to 1.4730 francs from 1.4680, but fell to 5.9775 French francs from 5.9885 francs Tuesday.

The British pound gained on the dollar, to $1.6585 from $1.6540.

Strong speculation Tuesday that the U.S. discount rate may be increased from 5.5 percent was waning, dealers said, especially after the U.S. Federal Reserve injected temporary reserves Wednesday into the U.S. banking system.

But dealers said that only a discount-rate increase could give long-term support to the dollar as the huge U.S. trade deficit continues to put pressure on the currency.

Dealers said that another factor depressing the dollar's outlook was the protectionist trade legislation debated in the U.S. House of Representatives, which could be voted upon as early as Thursday.

But few participants were willing to open aggressive short positions ahead of a meeting Thursday between President Ronald Reagan and Prime Minister Yasuhiro Nakasone of Japan.

Although trading was relatively thin, the British pound remained in demand despite the half-point cut in British base rates Tuesday to 9.50 percent, dealers said.

They said that the Bank of England intervened again Wednesday to prevent the pound from rising further, although the intervention was on on a much smaller scale than in previous days.

In London, gold edged higher to close at $451.50 an ounce, up from $449 in Tuesday. Silver rose to $7.90 an ounce from $7.75.

In earlier European trading, the dollar was fixed in Frankfurt at 1.7989 DM, up from 1.7913 DM Tuesday, and in Paris at 6.0015 French francs, up from 5.9835. It closed in Zurich at 1.4758 Swiss francs, up from 1.4665.

(Reuters, AP)

London Dollar Rates

Closing	Wed.	Tue.
Deutsche mark	1.7935	1.7956
Pound sterling	1.6585	1.6540
Japanese yen	140.25	139.75
Swiss franc	1.4730	1.4680
French franc	5.9775	5.9885

Source - Reuters

Doubts on Talks May Stabilize Currency Futures

Reuters

CHICAGO — Currency futures at the International Monetary Market are likely to hover near current levels in nervous trading over the next few days, although underlying sentiment remains positive, analysts said Wednesday.

"Currencies are likely to muddle around these levels," said Anne Parker Mills, an analyst at Shearson Lehman Brothers.

The analysts said that traders were unwilling to establish long or short positions in futures because of uncertainty over upcoming trade talks and U.S. trade legislation.

Prime Minister Yasuhiro Nakasone of Japan and President Ronald Reagan will meet Thursday and Friday to discuss trade tensions

"Unless something really surprising comes out of the Nakasone-Reagan talks," Ms. Mills said, "I don't see the dollar getting above 142" yen "and 1.83" Deutsche marks.

U.S. Has Considered Issuing Yen Bonds to Buoy Dollar

Reuters

WASHINGTON — The prospect of renewed assaults on the dollar might force the United States eventually to unveil distasteful measures to bolster support for its currency, monetary analysts and economists said.

Treasury Secretary James A. Baker 3d has acknowledged that the Reagan administration discussed the possibility of issuing yen-denominated U.S. government bonds to support the dollar.

But he has also dismissed speculation that he was ready to take such an unusual step. But sources say the issue has been seriously discussed by the administration.

"It is unlikely that we would undertake to do that now," Mr. Baker said last week. "In our view there might well be some who would view" issuing U.S. yen bonds "as, in fact, a lack of confidence by the U.S. in its own currency. And therefore we don't think it's an appropriate thing to do."

But if the Reagan administration did announce measures, they could be a part of an international effort to end the instability in financial markets with genuine action to reduce massive economic imbalances, monetary analysts believe.

And, like a currency defense package unveiled by the Carter administration, issuing yen bonds could be accompanied by a rise in the discount rate, now 5.5 percent.

The Federal Reserve has resisted pressure to raise this crucial rate so far, chiefly, some Fed officials say, because it could hurt economic growth. Another concern is the fragile international debt situation.

Analysts who expect a currency support package are divided over its possible timing. Some even believe an announcement could come this week during a visit to Washington by Prime Minister Yasuhiro Nakasone of Japan.

Sources say the issue has been 'seriously discussed' by the Reagan administration.

"It would give some real focus to the visit, and it might steady the dollar and prevent it from going down," said Charles Taylor, an analyst with Prudential-Bache Securities in New York.

But sources said they thought it unlikely that the Reagan administration would resort to measures that would bring to mind the troubles of President Jimmy Carter.

Until very recently, the current administration has urged a lower dollar to help redress its huge trade deficit while Mr. Carter faced a weak dollar as confidence in his economic policies collapsed. But currently, Washington's policies are increasingly in question.

The Carter plan, launched on Nov. 1, 1978, was a resounding success.

"This package really gave credibility to the administration to get the dollar up," said Robert Hormats, vice president of Goldman Sachs Inc. and a former senior U.S. economic in the Carter and Reagan administrations.

The dollar then stood at just under 1.87 Deutsche marks and about 188 yen. Today it stands at about 1.79 DM and 140 yen.

The problem is now that the administration rhetorically is evidencing concern about the dollar but in practice is really doing very little, Mr. Hormats said of statements to support the dollar by U.S. officials.

Several currency traders and foreign central bank officials think these statements still fall short of unequivocally saying the dollar has declined far enough.

Mr. Carter issued $6.4 billion of mark- and Swiss franc-denominated bonds aimed at buttressing psychological support for the dollar, but also at attracting foreign investors, who had lost confidence in the dollar, to U.S. government instruments.

The package was supported by a 1 percentage point rise in the discount rate, to 9.5 percent, drawings on U.S. monetary reserves at the International Monetary Fund and sales of U.S.-held special drawing rights to other IMF members.

It was also supported by increased Fed currency swap lines with other central banks and stepped up official U.S. gold sales.

Stephen Axilrod, a former Fed official who is now vice chairman of Nikko Securities, said, "I think it's very unlikely they would do that now."

He contended that it was politically difficult to take action to support the dollar while Japan and West Germany have still to fulfil pledges to stimulate their own economies.

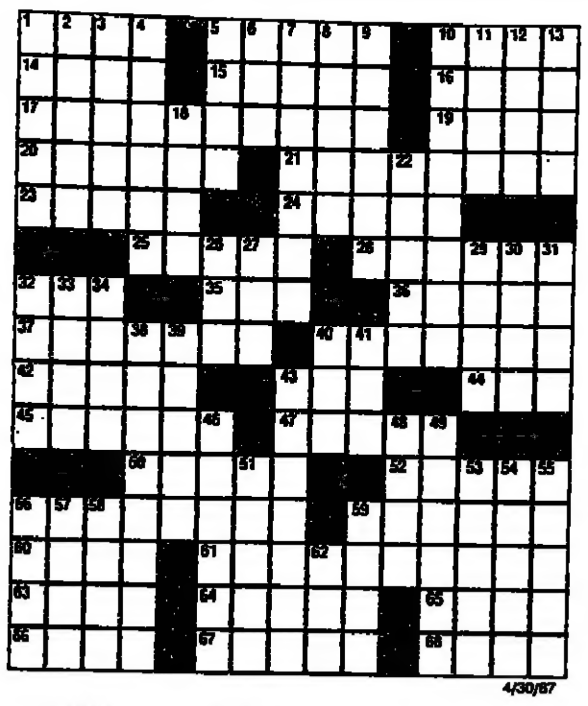
But most analysts believe a currency support package would only work if genuine economic measures to redress world trade imbalances are undertaken by the leading industrial powers.

Wednesday's OTC Prices

NASDAQ prices as of 3 p.m. New York time.

Via The Associated Press

12 Month High	Low	Stock	Div.	Yld.	Sales in 100s	High	Low	3 P.M.	Net Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



4/30/87

ACROSS

1 Long, feathery scarfs
5 Opposite the middle of a ship's side
10 Farewell, to Fabius
14 Italian currency
15 Mea —— (my fault)
16 Author Ludwig
17 Creamy cocktails
19 Baker's flute
20 High-backed wooden bench
21 Low, light carriage
23 Cornered
24 Sheriff's action
25 Basketball shot
28 Warp-knitted fabric
32 Word with cake or meal
35 —— Alamos
36 French school
37 S.C. university
40 Auction events
42 Songwriters' org.
43 Droop
44 Little one
45 Son in an Arnold poem
47 Ire
50 Key
52 Bowling-alley button
56 Aromatic spice
59 Engaged man
60 Instigate
61 Daisy or frosted cookie
63 Ticonderoga is one
64 Furthermore: Lat.
65 Dutch cheese
66 Greek cheese
67 Column part
68 Crandall and Ennis of baseball

DOWN

1 Explosion
2 Tex. athlete
3 Mountain ridge
4 Double trio
5 Anagram for cane
6 Kind of mite or moth
7 Cricket teams
8 "The cruellest month"
9 U.S.N.A. goat
10 Matador's move
11 Dart thrower
12 Caron role: 1953
13 A Fitzgerald
18 Alan from N.Y.C.
22 Flags
26 Middle Eastern org.
27 Free electron
29 Indianapolis athlete
30 Spread not fit for a bed
31 Assay
32 Edible tubers
33 Too
34 Cal or Georgia
38 Ohio city on the Ohio
39 Burst of energy
40 Dashed
41 Nog ingredient
43 Lecherous
46 Censures
48 Part of HOMES
49 Erected
51 Muse for Pindar
53 Slyly disparaging
54 Outer, to an M.D.
55 Pours
56 Rabble
57 Reed instrument
58 Spanish muralist
59 Chafe
62 Sal of songdom

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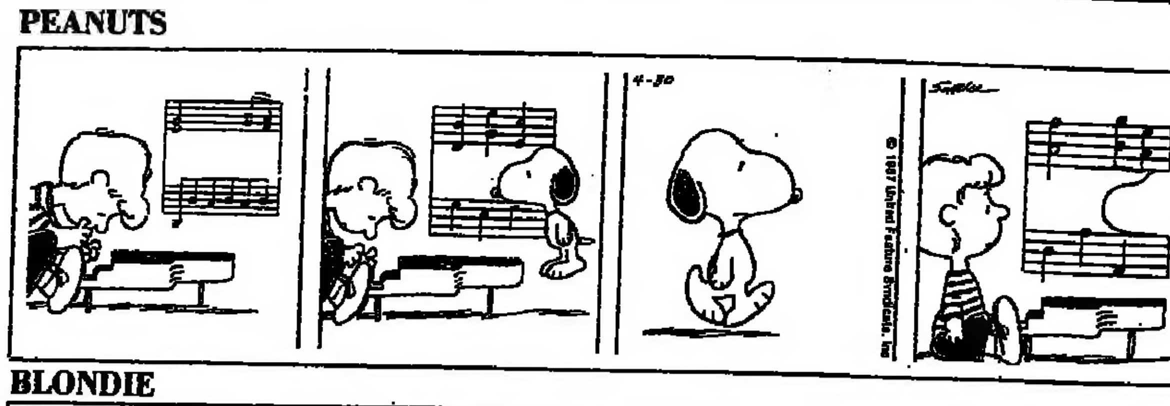
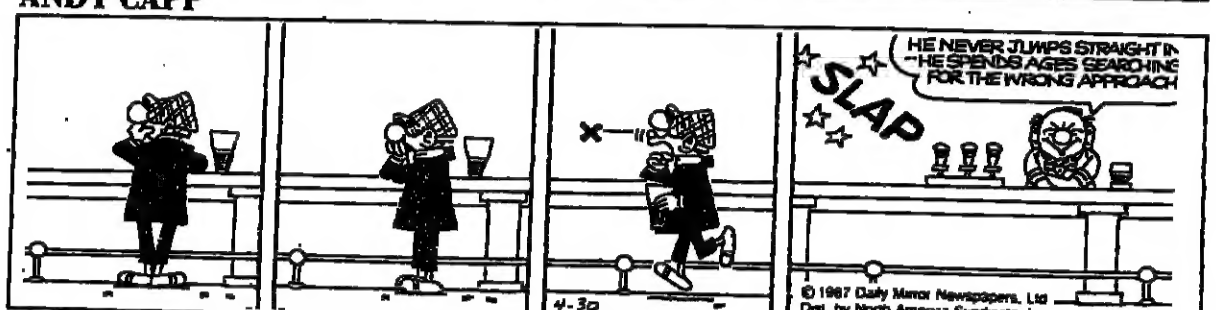
PEANUTS



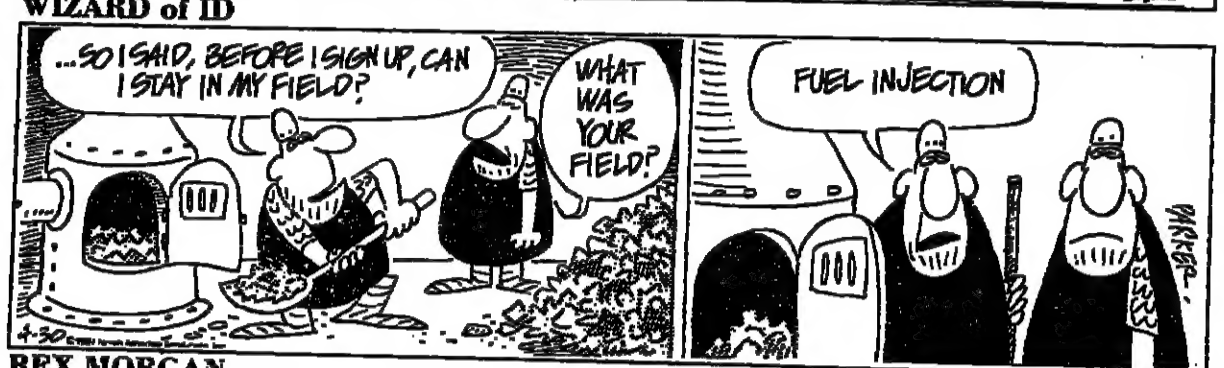
BLONDIE

BEETLE BAILEY

ANDY CAPP



WIZARD of ID

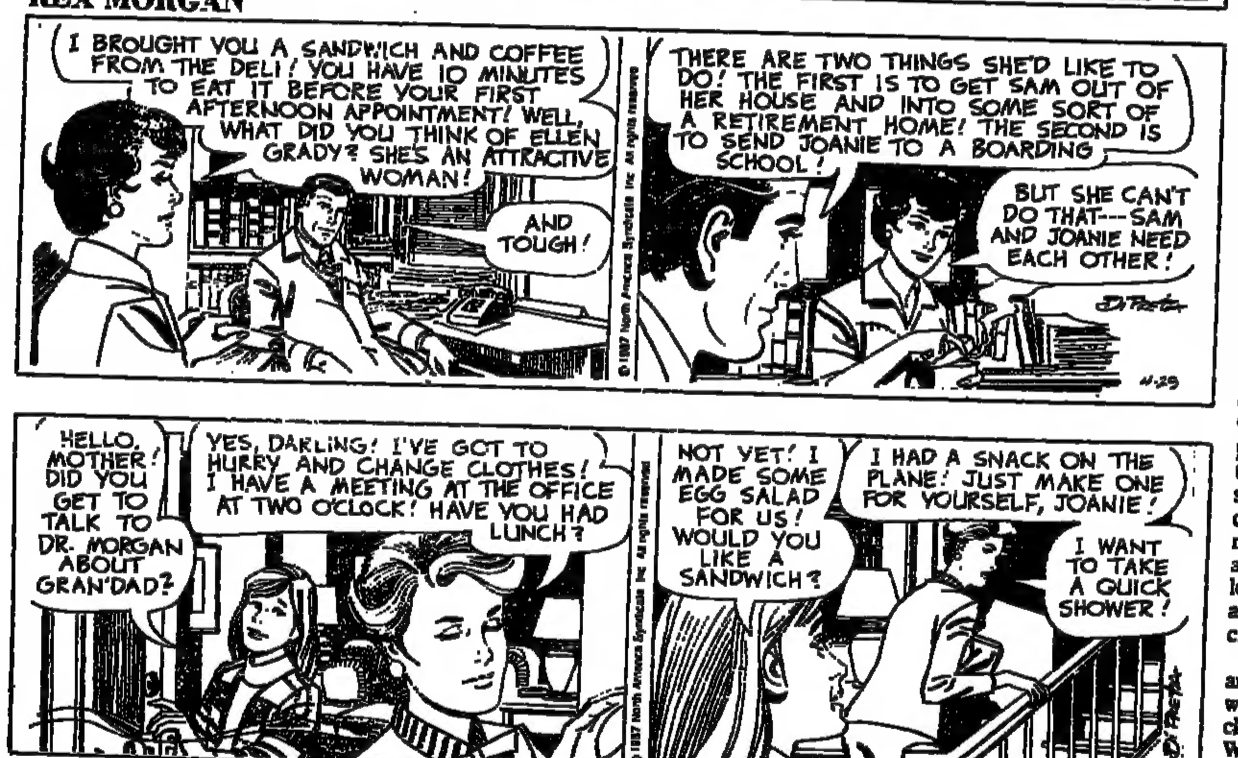


DENNIS THE MENACE

'IF YOU HAD SEVENTY-FIVE CENTS IN ONE POCKET AND A QUARTER IN THE OTHER, WHAT WOULD YOU HAVE?'

'SOMEBODY ELSE'S PANTS!'

REX MORGAN



JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

QASUW

HECEK

NAHDEL

ENBRAY

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: THE " "

(Answers tomorrow)

Yesterday's | Jumbles: HARPY PAGAN JOYOUS ATTACH
Answer: What they called that skid row gym— THE "PAUNCH" SHOP

WEATHER

EUROPE

	HIGH C	HIGH F	LOW C	LOW F	
Algarve	21	70	10	50	fr
Amsterdam	22	72	12	54	o
Athens	13	55	7	45	o
Barcelona	19	66	11	52	cl
Belgrade	16	61	0	32	fr
Berlin	22	72	8	46	fr
Brussels	23	73	15	59	fr
Bucharest	—	—	—	—	na
Budapest	19	66	5	41	fr
Copenhagen	18	64	4	39	fr
Costa Del Sol	21	70	15	59	o
Dublin	15	59	8	46	sh
Edinburgh	21	70	5	41	cl
Florence	25	77	7	45	fr
Frankfurt	24	75	6	43	fr
Geneva	21	70	9	48	cl
Helsinki	20	68	3	38	fr
Las Palmas	23	73	18	64	cl
Lisbon	18	64	13	55	fr
London	17	63	11	52	r
Madrid	21	70	10	50	cl
Milan	21	70	9	48	fr
Moscow	16	61	4	39	o
Munich	21	70	2	36	fr
Nice	20	68	14	57	fr
Oslo	16	61	5	41	fr
Paris	25	77	16	61	fr
Prague	19	66	3	38	fr
Reykjavik	1	34	0	32	o
Rome	20	68	8	46	fr
Stockholm	20	68	8	46	fr
Strasbourg	24	75	6	43	fr
Venice	19	66	8	46	fr
Vienna	20	68	4	39	fr
Warsaw	20	68	7	45	cl
Zurich	23	73	6	43	fr

MIDDLE EAST

Ankara	10	50	5	41	o
Beirut	—	—	—	—	na
Cairo	32	90	15	59	fr
Damascus	—	—	—	—	na
Istanbul	10	50	7	45	cl
Jerusalem	24	75	14	57	fr
Tel Aviv	24	75	18	64	fr

OCEANIA

Auckland	18	64	15	59	cl
Sydney	26	79	17	63	fr

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	37	98	24	75	o
Beijing	25	77	14	57	fr
Hong Kong	27	81	20	68	cl
Manila	33	91	26	79	fr
New Delhi	40	104	24	75	fr
Seoul	22	72	7	45	fr
Shanghai	22	72	11	52	cl
Singapore	30	86	24	75	cl
Taipei	28	82	18	64	cl
Tokyo	22	72	15	59	cl

AFRICA

Algiers	22	72	14	57	cl
Cape Town	19	66	10	50	fr
Casablanca	21	70	16	61	cl
Harare	26	79	12	54	fr
Lagos	33	91	27	81	o
Nairobi	27	81	16	61	cl
Tunis	21	70	8	46	fr

LATIN AMERICA

Buenos Aires	25	77	17	63	cl
Caracas	29	84	19	66	cl
Lima	26	79	19	66	o
Mexico City	24	75	14	57	cl
Rio de Janeiro	28	82	22	72	cl

NORTH AMERICA

Anchorage	10	50	3	38	cl
Atlanta	26	79	9	48	fr
Boston	14	57	2	36	pc
Chicago	21	70	8	46	fr
Denver	27	81	7	45	pc
Detroit	19	66	5	41	cl
Honolulu	33	91	21	70	fr
Houston	32	90	15	59	fr
Los Angeles	24	75	16	61	cl
Miami	28	82	19	66	fr
Minneapolis	21	70	13	55	fr
Montreal	9	48	3	38	cl
Nassau	26	79	16	61	fr
New York	15	59	5	41	pc
San Francisco	19	66	11	52	cl
Seattle	19	66	11	52	pc
Toronto	10	50	4	39	pc
Washington	21	70	10	50	pc

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sw-snow; st-stormy.

THURSDAY'S FORECAST — CHANNEL: Smooth. FRANKFURT: Cloudy. Temp. 22—7 (72—45). LONDON: Cloudy. Temp. 18—12 (64—54). MADRID: Cloudy. Temp. 20—12 (68—54). NEW YORK: Partly cloudy. Temp. 18—7 (64—45). PARIS: Changing. Temp. 21—14 (70—57). ROME: Fair. Temp. 22—9 (72—48). TEL AVIV: Not Available. ZURICH: Cloudy. Temp. 21—6 (70—43). BANGKOK: Thunderstorms. Temp. 34—25 (93—77). HONG KONG: Fair. Temp. 28—22 (82—72). MANILA: Cloudy. Temp. 35—25 (95—77). SEOUL: Foggy. Temp. 21—5 (70—41). SINGAPORE: Thunderstorms. Temp. 32—25 (90—77). TOKYO: Fair. Temp. 23—14 (73—57).

BOOKS

CULTURAL LITERACY: What Every American Needs to Know

By E.D. Hirsch Jr. With an Appendix, "What Literate Americans Know," by E.D. Hirsch Jr., Joseph Kett and James Trefil. 251 pages. $16.95. Houghton Mifflin, 2 Park Street, Boston, Mass. 02108.

Reviewed by John Gross

THERE is a lot of ignorance around, and all the signs are that there will soon be a lot more. The eighth-grade students who thought that Latin was what they speak in Latin America, and that Homer wrote an epic called "The Alamo"; the junior at UCLA who thought that Toronto was in Italy — these are some of the examples that E.D. Hirsch Jr. cites in "Cultural Literacy."

We have all heard similar stories, but the evidence for a decline in cultural literacy isn't just anecdotal. Hirsch also quotes from the preliminary findings of a study conducted in the United States in 1985 by the National Assessment of Educational Progress. They show, among other things, that two-thirds of the 17-year-olds interviewed didn't know that the Civil War occurred between 1850 and 1900, and that half of them couldn't identify Stalin or Churchill.

That so many people should be stumbling around in this kind of fog is an obvious cause for concern. Hirsch, who is a professor of English at the University of Virginia, puts the chief blame for this situation on American schools. It won't do, he argues, to go on using outside influences (most notoriously, television) as scapegoats. It is in the classroom that most of the trouble lies — most of the trouble, at any rate, that we have it within our power to remedy.

In a brief historical survey, Hirsch traces the effects of the "formalism" that has played an increasingly dominant role in American thinking about education since the days of John Dewey, the belief that the primary role of schools should be to help children develop their natural aptitudes — to encourage the acorn to become an oak — rather than to impart information. One major result of this philosophy has been the assumption that reading is a general, all-purpose skill that can be taught in a kind of cultural vacuum, without regard for content.

Not so, says Hirsch. Once children have mastered the rudiments of reading, their progress depends on acquiring knowledge as well as on extending their skill: The two are inseparable. He quotes a good deal of recent research in psychology to confirm that we need frameworks of information in order to interpret what we read; but his basic proposition seems to me the plainest common sense.

The information we share is the basis of our national culture — and for a nation state, Hirsch maintains, some kind of national culture is a necessity. There is nothing elitist about such a culture, he adds: On the contrary, it represents a mainstream open to all.

Having made his diagnosis, Hirsch offers a cure. Along with the detailed study of individual subjects, which would still allow a wide freedom of choice, he would like to see all American schools teaching an agreed body of general knowledge — the hard-core requirements, so to speak, of cultural literacy.

But how are we to define what those requirements are? Hirsch is willing to lead the way. Together with two colleagues at the University of Virginia — a historian, Joseph Kett, and a scientist, James Trefil — he has compiled a list of nearly 5,000 basic items: names, phrases, concepts, technical terms. The three of them are preparing a dictionary in which the items will be explained, but meanwhile the list itself, or a provisional version, is reproduced as an appendix to "Cultural Literacy."

It makes fascinating reading, particularly when we bear in mind that, apart from a number of scientific items (included, somewhat inconsistently, in an effort to improve things), it is an attempt to establish what all culturally literate Americans actually know, not what they ought to know. If the list is to be believed, for example, they can identify Andrew Wyeth but not necessarily Velázquez, what happened in 1066 but not necessarily what happened in 1789, Goebbels and Göring and Himmler but not necessarily the Gulag Archipelago.

John Gross is on the staff of The New York Times.

Solution to Previous Puzzle

P	E	A	L	E	■	M	I	S	T	S	■	V	I	S
A	R	G	O	T	■	O	N	T	A	P	■	E	N	T
I	N	A	N	U	T	S	H	E	L	L	■	S	T	R
R	E	S	E	D	A	■	A	R	E	A	■	T	U	E
■	■	■	R	E	V	I	L	E	■	T	U	P	I	S
J	O	S	S	■	■	L	E	O	■	T	R	O	T	S
A	R	M	■	M	O	L	D	■	D	E	S	C	■	■
B	E	A	K	E	R	S	■	K	A	R	A	K	U	L
■	■	L	I	S	T	■	C	A	B	S	■	E	S	E
P	A	L	L	S	■	U	R	N	■	■	S	T	E	W
L	I	S	L	E	■	P	O	T	A	T	O	■	■	■
A	R	C	■	N	E	W	S	■	C	H	A	S	S	E
C	I	A	■	G	R	A	S	S	H	O	P	P	E	R
E	L	L	■	E	G	R	E	T	■	S	E	E	M	S
D	Y	E	■	R	O	D	D	Y	■	E	D	D	I	E

4/30/87

BRIDGE

By Alan Truscott

APRIL 1 was the date the revised Laws of Duplicate were introduced, and one of the pairs in a game at New York's Cavendish Club was in all probability the first in the world to be victimized by one scoring provision of the new laws: The additional 50 points for making a redoubled contract. They defended five clubs redoubled, not vulnerable, and with some difficulty calculated a score of 800 instead of the usual 750 when the contract succeeded. The rest of their evening was spent in answering challenges from other players who disbelieved the score.

On the diagramed deal, the partnership defended three no-trump after North showed strength with a reverse sequence. South won the diamond lead with dummy's ace, as East dropped the nine, and led the club queen. This was allowed to win, and another club lead rode to West's jack.

West led a second diamond, and South captured the queen with the king and led a third club. He had no trouble when West won and shifted to a spade.

In the post-mortem South suggested that he would have been beaten by an earlier spade shift. His communications would be under fire if West played that suit after winning the club jack. South would win with the nine, and would indeed be in trouble if he played a third round of clubs and West shifted to the heart king.

But South can prevail after winning the spade nine by cashing the queen and cutting his own communications. He can then play a club, and take dummy's three winners to reach this ending:

NORTH
♠ —
♡ 8 6 5 2
◇ —
♣ 4

WEST
♠ —
♡ J
◇ J 8 7
♣ A

EAST
♠ —
♡ Q 9 7
◇ 4
♣ 6

SOUTH
♠ —
♡ 10
◇ K 10
♣ K 10

If West had kept the heart king, he would be given the lead and have to concede an overtrick. So we assume that he has done his best by retaining the jack, but even then South can play a club and must score two tricks at the finish, one way or another.

So South was wrong in the post-mortem, and as it turned out he was wrong about something else.

"I had to change your score on an earlier board," he told West. "You put 800 when it should have been 750." East explained the new laws to a chastened South, while West ran off to uncorrect the correction.

NORTH (D)
♠ A K 10 8
♡ A 8 6 5 2
◇ A
♣ Q 5 4

WEST
♠ J 6 4 2
♡ K J
◇ J 8 7 3
♣ A J 2

EAST
♠ 7 5 3
♡ Q 9 7 3
◇ Q 9 4
♣ 6 5 3

SOUTH
♠ Q 9
♡ 10 4
◇ K 10 6 5 2
♣ K 10 8 7

Neither side was vulnerable. The bidding:

North	East	South	West
1 ♡	Pass	1 N.T.	Pass
2 ♠	Pass	3 N.T.	Pass
Pass	Pass		

West led the diamond three.

World Stock Markets

Via Agence France Presse. Closing prices in local currencies, April 29.

Amsterdam

	Close	Prev.
ABN	507.50	507
ACF Holding	62	61.30
Aegon	91	91
Akzo	128.50	134.30
Ahold	108	107.60
Amev	61.60	63.10
A'Dam Rubber	11.20	11.20
Amro Bank	76.70	77
BVG	3.20	3.70
Buehrmann T	53.70	51.50
Caland Hlds	21	21
Elsevier	51.20	50.80
Fokker	52	51
Gist Brocades	45.20	45.50
Heineken	179	179.20
Hoogovens	39.10	38.60
KLM	42.60	42.50
Nat Neder	71	71.60
Nedlloyd	144.70	149
NMB	160	161
Oce Vander G	405	410
Pakhoed	76.50	77
[illegible]		

ANP-CBS Gen'l Index : [illegible]
Previous : [illegible]

Brussels

[illegible]

Frankfurt

[illegible]		
Hoesch	109	109
Horten	222	222
Hussel	580	578.20
IWKA	286	291
Kali + Salz	203	205.20
Karstadt	419	415
Kaufhof	481	469
Kloeckner HD	145	147
Kloeckner Werke	45	N.Q.
Krupp Stahl	100	100.50
Linde	704	690.50
Lufthansa	183	186
MAN	168	169.40
Mannesmann	179.50	180
Muench Rueck	2440	2460
Nixdorf	810	811
PKI	890	900
Porsche	833	838
Preussag	158	156
PWA	215.50	218.50
RWE	231	229
Rheinmetall	348	350
Schering	605	600
SEL	439.80	437.50
Siemens	706	701
Thyssen	116	117
Veba	278	277.50
[illegible]		

Helsinki

[illegible]

Hong Kong

[illegible]

Johannesburg

[illegible]		
Buffels	7200	7250
GFSA	7900	7910
Harmony	5000	5050
Hiveld Steel	680	680
Kloof	4450	4510
Nedbank	800	800
Rusplat	5150	5300
SA Brews	1975	1925
St Helena	6600	6600
Sasol	1100	1110
Welkom	3775	3825

Composite Stock Index : [illegible]
Previous : 2368.00

London

AA Corp $	[illegible]	[illegible]
Allied Lyons	405	402
Anglo-Am Gld $	117¼	[illegible]
Ass Brit Foods	352	352
Asda-MFI Gp	158	160
Barclays	513	520
Bass	936	937
B.A.T.	492	496
[illegible]		
T.I. Group	[illegible]	[illegible]
Trafalgar Hse	345	344
THF	242	235½
Ultramar	222	216
Unilever	26 19/32	26½
United Biscuits	288	290½
Vickers	475	477
War Loan 3½ %	39 31/32	[illegible]
Woolworth	835	843

F.T.30 Index : [illegible]
Previous : [illegible]
F.T.S.E.100 Index : [illegible]
Previous : 2022.10

Madrid

Banco Santander	1168	1170
CEPSA	N.A.	—
Dragados	708	[illegible]
Expl. Rio Tinto	430	424
Hidroelec. Esp.	60.25	N.A.
Telefonica	168.50	166

General Index : 223.47
Previous : 221.90

Milan

Banca Comm	4101	4085
Ciga hotels	4670	4740
CIR	7101	6710
Cred Ital	2370	2230
Eridania	4750	[illegible]
[illegible]		

MIB Current Index : [illegible]

Paris

[illegible]		
Thomson CSF	1715	1710
Total	507	501

CAC Index : 452.40
Previous : 451.30

Sao Paulo April 28

Bradesco	12.50	12.50
Brahma	40	35
Paranapanema	14	13
Petrobras	720	735
Varig	16.80	[illegible]

Bovespa Index: [illegible]
Previous : [illegible]

Singapore

Cerebos	5.70	5.90
Cold Storage	3.92	4
DBS	12.90	13.30
Fraser Neave	9.40	9.30
Haw Par	4.12	4.14
Hume	2.93	2.86
Inchcape	3.98	3.96
Lum Chang	1.23	1.28
Malayan Banking	7.70	7.95
OCBC	9.25	9.30
OUB	3.90	3.92
[illegible]		

Straits Times Ind : [illegible]
Previous : [illegible]

Stockholm

[illegible]

Affarsvaerlden Index : [illegible]
Previous : [illegible]

Sydney

ACI	4	4
ANZ	5.80	5.74
BHP	9.84	9
Boral	4.52	4.50
Bougainville	4.65	4.50
Coles Myer	6.76	6.50
Comalco	3	3.12
CRA	10.40	10.30
CSR	4	4.12
Dunlop	4.45	4.45
Elders Ixl	4.55	4.65
ICI Australia	3.90	4.45
Magellan	[illegible]	[illegible]
MIM	[illegible]	[illegible]
Nat Aust Bank	[illegible]	[illegible]
News Corp	[illegible]	[illegible]
N Broken Hill	[illegible]	[illegible]
Poseidon	[illegible]	[illegible]
Qld Coal Trust	[illegible]	[illegible]
Santos	[illegible]	[illegible]
Thomas Nation	[illegible]	[illegible]
Western Mining	[illegible]	[illegible]
Westpac Banking	[illegible]	[illegible]
Woodside	[illegible]	[illegible]

All Ordinaries Index : [illegible]
Previous : [illegible]

Market Closed

The Tokyo stock market was closed Wednesday for a holiday.

Zurich

[illegible]

SBC Index : [illegible]
Previous : [illegible]

Toronto April 28

Canadian stocks via AP

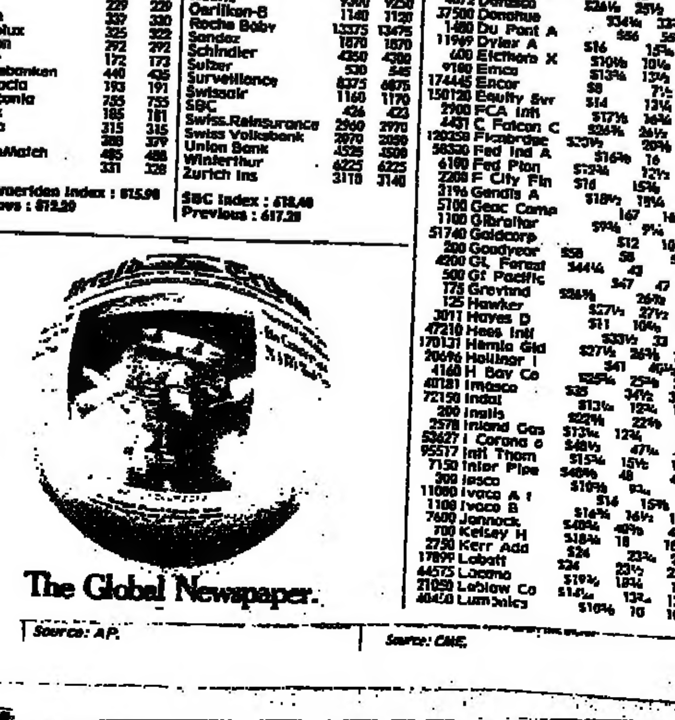
Sales	Stock	High	Low	Close	Chg.
21350	Abti Prce	[illegible]			
100	Acklands	[illegible]			
86089	Alt Energy	[illegible]			
154850	Alta Nat	[illegible]			
11608	Algoma St	[illegible]			
89495	A Barick	[illegible]			
6716	Atco I	[illegible]			
86690	BCED	[illegible]			
[illegible]					
14860	Maple A	[illegible]			
1400	MDS H A	[illegible]			
15800	MICC	[illegible]			
8825	Mclan H X	[illegible]			
4139	Maritime I	[illegible]			
1513	Mark Res	[illegible]			
7901	Molson A f	[illegible]			
4200	Molson B	[illegible]			
280	Murphy	[illegible]			
1000	Nabisco	[illegible]			
217518	Noranda	[illegible]			
45162	Norcen	[illegible]			
[illegible]					

TSE 300 Index: [illegible]

Montreal April 29

[illegible]

Industrials Index : [illegible]



The Global Newspaper.

Iberia and SAS.

هكذا من الأهل

SPORTS

Sonics' Ellis Scores 43 to Again Make His Point That the Mavericks Erred

The Associated Press

SEATTLE — Dale Ellis continued Tuesday night to get even with the Dallas Mavericks, scoring a National Basketball Association career-high 43 points as the underdog Seattle SuperSonics won, 117-107, to take a 2-1 lead in their best-of-five playoff series.

Ellis, who spent most of his time on the bench in three unproductive seasons with the Mavericks, said, "I definitely want to beat these guys. I'm playing as hard as I can."

He also had 14 rebounds. In the series' second game, he got 32 points, winning it on two free throws with two seconds left. "I'm not completely vindicated yet," he said. "There's still one more game."

The Mavericks beat the Sonics in all five games of the regular season, by an average of nearly 19 points. But, Ellis said, he is trying to convince his teammates "that we're as good as they are. Dallas is the only team that outplayed us during the regular season. All we wanted to do is get them in a close game."

He does not think he got a fair chance from the Mavericks' coach, Dick Motta, to play in Dallas.

"I don't think Dick Motta really

NBA PLAYOFFS

knew what he had in me," Ellis said. "He never really turned me loose to prove what I can do.

The Sonics took advantage of the Mavericks' 4-for-17 shooting in the first quarter to lead by as many 22 points in the first half. They still had an 89-73 lead entering the fourth quarter, and the margin was 13 midway through the final period. But a 10-3 spurt by the Mavericks made it 109-103 with 1:18 left. Then two free throws by Xavier McDaniel with 44 seconds left and one by Nate McMillan seven seconds later rebuilt the advantage to nine and settled the outcome.

The Mavericks' center, James Donaldson, who was bothered by a sore right leg, was held scoreless in 15 minutes and did not play in the second half. Mark Aguirre, the team's leading scorer, had strep throat and was held to 16 points.

Celtics 105, Bulls 94: In Chicago, Boston swept its series with the Bulls for the second straight season, and beat them for the 16th straight time, as Larry Bird got 32 points and 14 rebounds and Dennis Johnson had 24 points and 10 assists.

The Celtics played without all-star forward Kevin McHale, who had an ankle injury.

"We wanted to win this awfully bad. We needed the rest," Bird said. "The rest is very crucial for us in the long run. Kevin is out and we can't do it," repeat as NBA champions, "without him."

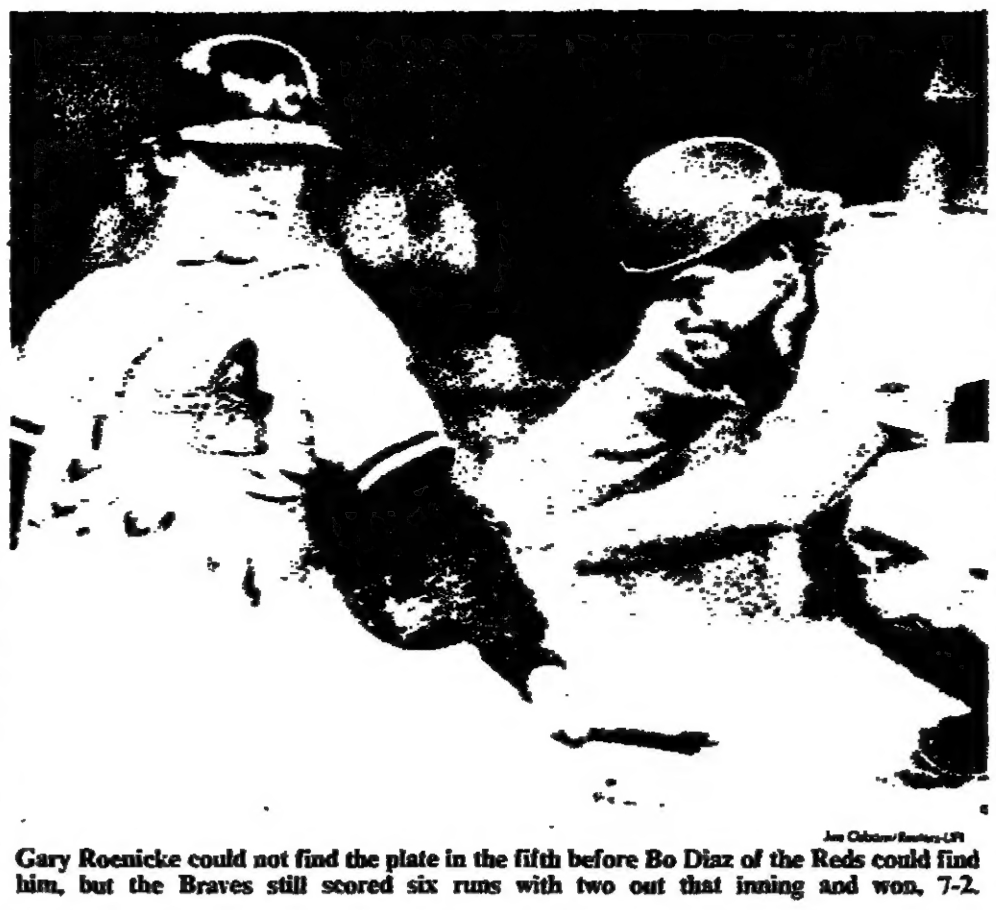
The Celtics trailed by nine in the third quarter, but Johnson's lay-up with 5:49 left in the game gave them an 82-81 edge. It was the first time they had led in the second half and they never trailed thereafter.

Bird scored the Celtics' next seven points as they went ahead by 89-83.

Rockets 117, Trail Blazers 108: In Houston, the home team lost all but six points of its 25-point lead at halftime but Akeem Olajuwon proved to be too much for Portland.

He had 35 points, 11 rebounds and 8 blocked shots, with a three-point play halting the Trail Blazers' rally.

After the Trail Blazers closed to six with 4:24 left, Olajuwon's basket, only the second for Houston in the last quarter, made it 105-97. He then sank the free throw, Robert Reid's short jumper with 3:29 to go made it 108-99 and the Trail Blazers never threatened again.



Jim Calvert/Reuters-UPI

Gary Roenicke could not find the plate in the fifth before Bo Diaz of the Reds could find him, but the Braves still scored six runs with two out that inning and won, 7-2.

Brewers Lose a 2d, To 4 Angel Homers

The Associated Press

ANAHEIM, California — The Milwaukee Brewers lost Tuesday night for only the second time in 19 games this season, but this time they were routed as Doug DeCinces hit a three-run homer and two doubles to lead the California Angels to 10-5 victory.

"We got whacked," said the Brewers' manager, Tom Trebelhorn. "We played hard, but it's hard to overcome the number of line drives the Angels hit . . . and the balls they hit over the fence."

Brian Downing hit a two-run homer in the sixth inning to put the Angels ahead to stay, while teammates Jack Howell and Dick Schofield each homered with the bases empty. It was the second time this season that the Angels, who got 17 hits, had hit four homers in a game.

Downing's, which rallied the Angels from a 5-4 deficit, was his ninth this year and tied him with the Brewers' Rob Deer for the AL lead.

In a rare occurrence, the Angels' starter, John Candelaria, was ejected from the game in the top of the sixth inning for protesting a call by plate umpire Mike Reilly.

Mariners 6, Tigers 4: In Seattle, two solo home runs by Ken Phelps and a two-run shot by Jim Presley handed Detroit its eighth loss in its last nine games.

Athletics 7, Red Sox 1: In Oakland, California, Dennis Eckersley, in relief of starter Joaquin Andujar, held Boston to two hits for six innings. The Red Sox lost their fifth straight, their longest losing streak in two years.

Andujar, making his first appearance this season, faced four batters and threw just 15 pitches, allowing no hits, before leaving with stiffness in his pitching arm.

Indians 1, White Sox 0: In Cleveland, Ken Schrom pitched a four-hitter and Mel Hall's a bases-loaded single past a drawn-in infield in the ninth beat Chicago, despite Joel Davis allowing only four hits.

Blue Jays 5, Twins 1: In Toronto, George Bell drove in three runs, two with a homer, and Jim Clancy threw a six-hitter against Minnesota.

Padres 5, Cardinals 2: In the National League, in St. Louis, Steve Garvey drove in three runs for San Diego. Garvey, batting .182 with three RBI entering the game, moved past Enos (Country) Slaughter, the Hall of Famer who played for the Cardinals, and into a tie with Roberto Clemente for 47th place on the all-time list with 1,305 RBI.

Pirates 6, Dodgers 1: In Pittsburgh, Bob Kipper held Los Angeles to seven hits for seven innings in outpitching Fernando Valenzuela. Junior Ortiz drove in three runs and Mike Diaz two for the Pirates.

Giants 6, Cubs 2: In Chicago, Mike Krukow, a 20-game winner last season, won his first in four decisions this season as San Francisco's Jeffrey Leonard hit a two-run homer during a five-run sixth inning. Leon Durham homered in his fourth straight game for the Cubs.

Expos 7, Phillies 1: In Philadelphia, Floyd Youmans struck out seven and allowed but three hits in six innings, while hitting a solo homer for Montreal. Andy McGaffigan, with one-hit relief, extended his streak of scoreless innings to 13.

Braves 7, Reds 3: In Cincinnati, Rafael Ramirez went four-for-five, drove in three runs as Atlanta won by scoring six runs with two out in the fifth inning.

Boddicker, Correa Quiet Royals, Yanks

United Press International

KANSAS CITY, Missouri — Mike Boddicker held the Kansas City Royals to one hit Tuesday night during a 3-0 victory for the Baltimore Orioles, while in Arlington, Texas, Edwin Correa, held the New York Yankees hitless for 7⅓ innings but failed to finish the game.

The Rangers did win, 3-0, after Correa, a day before his 21st birthday, lost his bid to become the youngest American Leaguer in the modern era to pitch a no-hitter when Willie Randolph lined a 3-2 pitch to left field for a single and Don Mattingly doubled to left-center. Correa departed, but Dale Mohoric relieved and held the Yankees without another hit the rest of the way.

Boddicker, a right-hander, retired the first 13 Kansas City batters before he hit Danny Tartabull with a one-out pitch in the fifth inning. Boddicker lost his no-hitter when Willie Wilson bounced a one-out single to right in the sixth.

"I wasn't feeling too well, really," Boddicker said. "I can't imagine myself pitching a no-hitter anyway."

He walked two and struck out five in recording his second one-hitter in the major leagues. The other came Aug. 13, 1984, in Toronto.

Correa, the youngest player in the majors, held the Yankees hitless despite struggling with his control. He gave up a run in the second inning on a catcher's interference call against Don Slaught, a walk and Randolph's RBI grounder. Correa walked the bases loaded with two out in sixth, but escaped by retiring Gary Ward on a grounder to shortstop. The right-hander struck out seven and walked five.

Pittsburgh's Nick Maddox was the youngest to pitch a no-hitter in the major leagues, at 20 years and 10 months on Sept. 20, 1907, against Brooklyn. Milwaukee's Juan Nieves, 22, pitched a no-hitter against Baltimore this April 15th.

Ryan Remiorz/The Associated Press

TURNABOUT — Norman Rochefort of the Nordiques got rid of Claude Lemieux, but Montreal won, 3-2, when Ryan Walter scored 2½ minutes from the end of the National Hockey League playoff; 14 seconds earlier referee Kerry Fraser had negated a goal by Quebec's Alain Cote. New York beat Philadelphia, 2-1, when a shot bounced in off a defender with three minutes left in that game.

Derby Colt Momentus Bears 2 Burdens

By Andrew Beyer
Washington Post Service

LOUISVILLE, Kentucky — Even those who had watched thoroughbred horse races all their lives had never seen anything like last fall's Hawthorne Juvenile Stakes.

The odds-on favorite, Momentus, had taken command of the race with a powerful move on the final turn as the announcer exclaimed, "There goes Momentus like a shot!" Racing in the middle of the track, the colt had opened a lead of several lengths, but in midstretch he swerved sharply to his left, straight at the inner rail.

Jockey Alex Solis bailed out just before his mount crashed through the railing. The horse had such momentum that he was airborne for a split second before smashing into a big pole and hitting the ground. The pole had been uprooted and splintered.

But then Momentus bounded to his feet, all his legs still attached. If it was improbable that he had survived the accident, it was more unlikely that he would race again. And it is incredible that he will run Saturday in the 113th Kentucky Derby.

"At Hawthorne," said trainer Wallace Dollase, "they had moved the starting gate with a tractor and parked it at the eighth pole, by the outside fence. He'd never seen that before, and he just shied away from the gate.

"The ambulance took him off the track and back to his stall after the accident. He had an eight-inch [205-millimeter] gash on his right leg — you could see the canon bone — and he had to have 178 stitches to close it up. The vet had to sew up three different layers of skin. He broke four ribs, too, and we took him to the University of Illinois for surgery. One part of a rib had to be removed."

Before the accident, Dollase was convinced that Momentus was going to be a star.

Now he had to start all over.

"Horses are creatures of habit; they don't reason like we do," Dollase said. "When something bad happens to them, you have to help them get over it. Momentus went back in training 2½ months after the accident, and we did a lot of schooling with him around the starting gate. But when we ran him the first time at Santa Anita" in California, "he was out there testing the waters, thinking, 'When's it going to happen? When's it going to happen?' He was going at three-quarter speed."

Momentus began to show a semblance of his old self when he next won a minor stake in northern California. But instead of letting him develop slowly, Dollase put him on the fast track. He wasn't going to let 178 stitches and a mental trauma interfere with dreams of the Kentucky Derby.

He shipped Momentus to the $500,000 Jim Beam Stakes, where Momentus finished a distant fourth. Then he was went to Keeneland for the Lexington Stakes, and was a soundly beaten third in a field of six.

Unfazed, Dollase brought him to Churchill Downs for the most stressful horse race in America. "It was my plan all along to come to this race," he said. "I asked my wife, 'Am I crazy to run in the Derby at 75 to 1?' She said no, and she's got strange intuitions."

Race horses are commonly ruined in two ways: by their own frailty and the normal stress of competition or by the people who manage them, who commit the cardinal error of pushing too far, too fast. Poor Momentus has had to suffer both ways.

Owners Are Taking Stock of Their Pro Sports Teams

New York Times Service

NEW YORK — It may be a while before you can take a flier on the Yankees or sell the Mets short on the New York Stock Exchange. But five months after the Boston Celtics made financial history by selling their shares to the public, other teams have disclosed plans to make similar offerings and more are waiting in the wings.

No wonder. When the 40 percent interest in the Celtics went on sale, the issue of limited-partnership units raised a total of $48 million, putting the full value of the club at $120 million. That was a sports franchise record and more than six times the $19 million for which the team had been sold just three years before.

Since the Celtic bonanza, the Denver Nuggets have filed a registration statement with the Securities and Exchange Commission for the sale of partnership units representing a 42 percent interest in the team, and the Edmonton Oilers have asked the National Hockey League for permission to make a similar offering. Jerry Buss, owner of the Los Angeles Lakers, has inquired about doing the same, and he's not alone, according to investment bankers who won't name names.

So far, no baseball clubs have stepped up to the public-offering plate, and for good reason. Owing partly to a belief that accountability among its franchises should be as narrow as possible, major league baseball has long barred clubs from making public stock sales, and a policy review conducted soon after the Celtics' offering reaffirmed that stance. A similar review is under way in the National Football League.

SCOREBOARD

Basketball

NBA Playoffs

FIRST ROUND
TUESDAY'S RESULTS

Boston	28	23	17	37	105
Chicago	28	24	21	21	94

Bird 11-21 10-11 32, Johnson 10-17 4-4 24; Jordan 9-30 12-14 30, Oakley 5-13 3-4 14. Rebounds: Boston 51 (Bird 14), Chicago 55 (Oakley 19). Assists: Boston 25 (Johnson 10), Chicago 24 (Jordan 7).

Portland	27	23	34	24	108
Houston	38	22	34	23	117

Olajuwon 11-18 13-16 35, McCray 4-7 10-10 18; Drexler 10-21 6-8 26, S. Johnson 8-18 7-16 23. Rebounds: Portland 39 (Jones, S. Johnson 10), Houston 46 (Olajuwon 11). Assists: Portland 29 (Porter 8), Houston 28 (Leavell 13).

Dallas	15	22	26	34	107
Seattle	26	29	34	28	117

Ellis 18-28 5-5 43, Chambers 8-15 6-9 22; Harper 10-15 9-12 30, Blackman 10-21 7-8 27. Rebounds: Dallas 45 (Perkins 11), Seattle 65 (Ellis 14). Assists: Dallas 14 (Harper 8), Seattle 22 (McMillan 9).

NBA Playoff Schedule

FIRST ROUND
Best-of-five
Eastern Conference

April 23: Boston 108, Chicago 104
April 26: Boston 105, Chicago 96
April 28: Boston 105, Chicago 94
April 24: Atlanta 110, Indiana 94
April 26: Atlanta 94, Indiana 93
April 29: Atlanta at Indiana
x-May 1: Atlanta at Indiana
x-May 3: Indiana at Atlanta
April 24: Detroit 106, Washington 92
April 26: Detroit 128, Washington 85
April 29: Detroit at Washington
x-May 1: Detroit at Washington
x-May 3: Washington at Detroit
April 24: Milwaukee 107, Philadelphia 104
April 26: Philadelphia 125, Milwaukee 122 (OT)
April 29: Milwaukee at Philadelphia
May 1: Milwaukee at Philadelphia
x-May 3: Philadelphia at Milwaukee

Western Conference

[illegible]

Transition

[illegible]

Baseball

Tuesday's Line Scores

AMERICAN LEAGUE

[illegible]

NATIONAL LEAGUE

[illegible]

San Diego	200 030 000	5	9	0
St. Louis	000 000 200	2	7	4

Whitson, Dravecky (7), McCullers (8) and Santiago; Conroy, Soff (5), Perry (6), Dawley (8) and Lake. W—Whitson, 3-2. L—Conroy, 0-1. Sv—McCullers (2).

Montreal	230 110 000	7	9	0
Philadelphia	100 000 000	1	4	2

Youmans, McGaffigan and Stefero; Cowley, Hume (3), Jackson (7), Bedrosian (9) and Parrish. W—Youmans, 1-2. L—Cowley, 0-4. Sv—McGaffigan (3). HRs—Montreal, Youmans (1), Law (4). Philadelphia, Hayes (1).

Major League Standings

AMERICAN LEAGUE
East Division

	W	L	Pct.	GB
Milwaukee	17	2	.895	—
New York	14	6	.700	3½
Toronto	11	8	.579	6
Baltimore	9	11	.450	8½
Boston	8	12	.400	9½
Detroit	7	12	.368	10
Cleveland	7	14	.333	11

West Division

	W	L	Pct.	GB
Minnesota	12	8	.600	—
California	12	9	.571	½
Seattle	11	10	.524	1½
Kansas City	8	10	.444	3
Texas	7	11	.389	4
Oakland	8	13	.381	4½
Chicago	6	11	.353	4½

NATIONAL LEAGUE
East Division

	W	L	Pct.	GB
St. Louis	10	8	.556	—
Chicago	9	9	.500	1
New York	9	9	.500	1
Montreal	8	10	.444	2
Pittsburgh	7	10	.412	2½
Philadelphia	6	13	.316	4½

West Division

	W	L	Pct.	GB
San Francisco	15	6	.714	—
Cincinnati	14	6	.700	½
Houston	12	8	.600	2½
Los Angeles	11	10	.524	4
Atlanta	8	11	.421	6
San Diego	6	15	.286	9

Hockey

NHL Divisional Finals

[illegible]

NHL Playoff Schedule

[illegible]

Smythe Division
April 21 — Edmonton 3, Winnipeg 2 (OT)
April 23 — Edmonton 5, Winnipeg 3
April 25 — Edmonton 5, Winnipeg 2
April 27 — Edmonton 4, Winnipeg 2

World Championships

[illegible]

Golf

PGA Leaders

[illegible]

Football

NFL Draft

[illegible]

Soccer

EUROPEAN CHAMPIONSHIP

[illegible]

ART BUCHWALD

Ah, the Fees, the Fees

WASHINGTON — Two lawyers were talking to each other at the next table. One was wearing a fire chief's hat, so I assumed he worked for Texaco. The other was putting Pennzoil on his salad.

The Pennzoil man said, "I feel like $11 billion."

The Texaco man took a swig of wine and replied: "You don't have to rub it in. You know you'll never see the money. We've gone into bankruptcy."

Buchwald

"Great," said the Pennzoil man. "That means we're going to have to sue you for it. I was wondering how we were going to get some additional fees after the original suit was settled."

"We're *counting* on Pennzoil suing us. With that suit and our fees for bankruptcy, every partner in my law firm will be able to send his kid to college."

□

The Pennzoil man admonished, "Lawyers shouldn't become rich on litigation. Their job is to serve the client at the least possible cost."

"I'll drink to that," the Texaco man chuckled as he drank directly from the wine bottle.

"I wouldn't be *too* happy about the way things are going. My Pennzoil clients are talking about settling out of court. If that happens we can both sell our houses in Easthampton."

The Texaco man looked shocked. "You can't let them settle out of court. That would make Pennzoil look chicken throughout the free oil world."

"If they want to settle I have no choice."

"If you don't sue us then we are going to sue you," asserted the Texaco man. "We have a lifetime of legal work staring us in the face and we're not letting it go down the drain because you people will settle for less than $11 billion to cover the pain and anguish Texaco caused you."

"On behalf of everyone in my firm I welcome your lawsuit and will set aside the next five years to take depositions."

"Good. We'll hire 20 more lawyers to work on the appeal just in case we lose in court," the Texaco man said. "Boy it's great to be on the losing side of a multibillion-dollar lawsuit."

The Pennzoil man retorted, "It's great to be on *any* side of a billion-dollar suit. What I would like to do is take this one to the Supreme Court. Then I could buy a new boat I've got my eye on."

"If we can take it to the Court of Appeals I'll be able to purchase that chalet in Aspen."

□

The Pennzoil man asked, "Suppose the judge throws the suit out of court because it has no merit. Where does that leave us?"

"We'll sue him."

"We can't sue a judge. But we can do the next best thing — fight the thousands of unhappy stockholders who are lined up ready to sue Texaco and Pennzoil for screwing up. We'll be in court until the year 2001," the Pennzoil man declared.

"You make it sound so good I think I'll buy a private airplane."

"There is an old saying in our profession: 'When you have a sick rich client, a private plane pays for itself.' " the Pennzoil man commented.

"When this case started several years ago I was so sure we would settle out of court I figured I would only make enough on it to buy a home in Great Neck," said the Texaco lawyer. "Little did I dream I could buy the Trump Tower."

"I felt the same way. Winning isn't everything in this case. The big money is coming in now that Texaco won't pay the $11 billion."

The Texaco man inquired, "What are you going to do with your fees?"

"The same thing any struggling corporation lawyer would do. I'm going to buy a sunflower painting by Vincent van Gogh."

£5.9 Million Paid for Books

The Associated Press

LONDON — A collection of books about plants and flowers formed by Robert de Belder, an Amsterdam diamond merchant, realized £5,910,465 (about $9.8 million) in two evening sales completed on Tuesday, Sotheby's auction house reported.

Vines vs. Fast Trains in Vouvray

By Steven Greenhouse
New York Times Service

VOUVRAY, France — It is the gentlest time of year here, as the Loire flows by at an escargot's pace and the sun nourishes the budding vineyards.

But in recent years this tranquility has been shattered by a battle that has pitted old France, the enchanting land of vineyards and *châteaux*, against new France, the enterprising country that boasts of supersonic Concordes and high-speed trains.

The hostilities began a few years ago when the French national railroad system announced plans to build a new route for its Train à Grande Vitesse (TGV) through tiny Vouvray and its vineyards.

"There have been vineyards here for over 500 years," said Philippe Brisebarre, whose sun-drenched vineyard overlooks this town of 2,700 alongside the Loire. "You can't run the TGV through a spot like this."

France's railroad system, of course, disagreed, so Brisebarre and 150 other producers of Vouvray's renowned white wine began a series of demonstrations: They picketed in Vouvray's tiny square, they protested at the railroad's headquarters, and they sat on the tracks to block trains going to nearby Tours, 150 miles (240 kilometers) southwest of Paris.

They made so much noise that one of them, Daniel Allias, was invited to appear on national television to debate the president of the state-owned railroad.

"We viticulturists aren't opposed to progress," Allias said recently as he paced through his dank cave, which stores 60,000 bottles of Vouvray. "We're just opposed to progress when it clashes with the patrimony of France."

Railroad officials are quick to reply that France cannot live on patrimony alone. Indeed, forward-looking Frenchmen are proud of nothing so much as their TGV, which made its debut in 1981 and travels the 285 miles from Paris to Lyons in just two hours.

The even faster TGV planned for Paris to Tours, via Vouvray, is part of a $1.5 billion effort to bring high-speed train service to France's Atlantic Coast. Before heading on to Bordeaux, the TGV will cover the 150 miles from Paris to Tours in 56 minutes, a trip that now averages two hours. It is expected to hit the magical 300 kilometer per hour threshold, or 186 miles an hour.

Both President François Mitterrand, a socialist, and Prime Minister Jacques Chirac, a conservative, have hailed the idea of a TGV to the Atlantic. What is more, officials in Tours, a half-dozen miles from Vouvray, are pushing for the TGV because it will funnel more tourists into the Loire Valley.

Vouvray's winegrowers have had more than the slogan of patrimony on their side. Under France's arcane wine laws, Vouvray's vines must be left untouched by all government construction unless the minister of agriculture and the National Institute of Wine Appellations, France's regulatory body for wine, grant an exception.

Not surprisingly, those oenophiles refused to allow the railroad to trample on Vouvray's vineyards.

Railroad officials decided to build a tunnel which comes within 60 yards (55 meters) of some caves through one of Vouvray's hills.

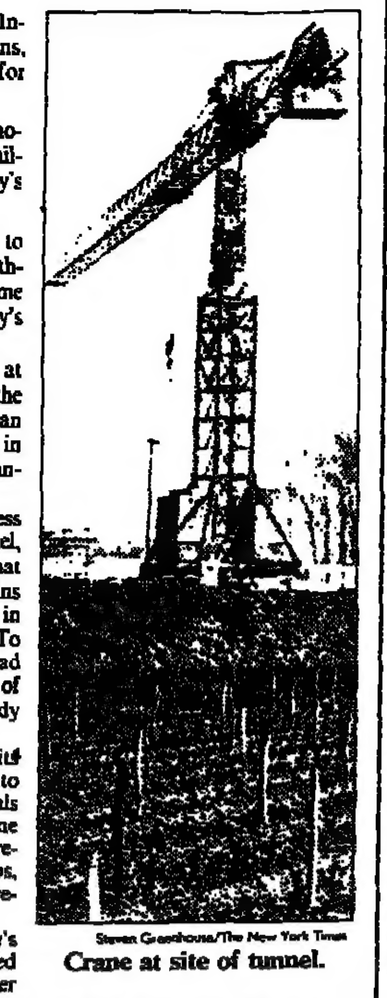
But the winegrowers howled at this, too. They feared that the vibrations from the subterranean trains would damage the wine in the caves their wine-making ancestors dug into the hills.

The railroad has nevertheless plunged ahead with its tunnel. The railroad told the growers that the vibrations from the 30 trains that will pass each day, starting in 1990, will not hurt their wines. To reassure the growers, the railroad asked the regional laboratory of wine analysis to conduct a study on the vibrations' effect.

The laboratory has finished its report, but the railroad refuses to make it public. Railroad officials say the study found that the wine would be safe, but since the report is being kept under wraps, the winegrowers suspect the report concluded otherwise.

Seeking to assuage Vouvray's anxieties, the railroad has agreed to put an anti-vibration rubber cushion under the tracks in the tunnel.

For Brisebarre, whose caves are 100 yards from the tunnel, he remains nervous. "The railroad says the vibrations won't be very severe and won't hurt our wine," he said. "I don't usually agree with them, but this time I hope they're right."



Steven Greenhouse/The New York Times
Crane at site of tunnel.

Record Price for 'Minute' Red Diamond

By Souren Melikian
International Herald Tribune

A RED diamond weighing slightly less than one carat was sold in New York Tuesday for $880,000, or $926,000 per carat, more than seven times the previous record per carat.

In the same sale, a "purple-pink" diamond weighing 0.59 carats went up to $148,000, or $251,000 per carat, paid by William Goldberg, a New York diamond wholesaler, for his private collection. The highest previous record for any diamond in any quality stood at $127,000 per carat, paid in May 1980. The auction, at Christie's, totaled $14.8 million.

The 0.95-carat red diamond, which came from a private estate in Montana, was purchased by Theodore Horovitz, a Swiss gem merchant; professional sources say the intended recipient is the Sultan of Brunei. The underbidder was Lisa Moussaieff of London Hilton Jewellers.

Concerning the red diamond, François Curiel, Christie's diamond expert and head of the jewelry department, thought, although he did not say so in print, that it might go as high as $250,000, less than one-third of the price it realized. Curiel said afterwards: "I do not think that either the buyer or the underbidder knew themselves that they would be paying that price."

The red diamond is minute, smaller than a pea. When Curiel opened the bidding, Eddy Elzas, an Antwerp-based dealer in color diamonds, shouted, "$275,000." David Gol, another Geneva merchant, snapped back, "$300,000." Laurence Graff of London took it up to $320,000. At that point, Harry Winston jumped into the bidding and all four of them scrambled up to $550,000. From then on it was a fight to the finish between Moussaieff and Horovitz.

These prices are on a level with the craziest figures offered in April at the Windsor sale. With a major difference: There was no Windsor glamour. These are market prices paid by hard-nosed professionals and, as such, of considerably greater significance to the future of the auction market.

PEOPLE

Baby for Woody & Mia

Mia Farrow, 41, already the mother of eight children, and Woody Allen, 51, are expecting their first baby, the New York Daily News reported. Farrow and Allen, who are not married, began their professional association in 1982 when Farrow made "A Midsummer Night's Sex Comedy" with the actor-director-writer. The actress already had twins sons, Matthew and Sacha, 17, and another son, Fletcher, 11, with the conductor-composer André Previn during their marriage. She adopted two Vietnamese children, Lark Song, 13, and Summer Song, 12, and two Korean children, Soon-Yi, 15, and Misha, 8. In 1985, she adopted a boy, Dillon, who is now 2.

□

In New York, the violinist Itzhak Perlman got decked out in a blond wig, dress and matching scarf for a birthday skit honoring Dorothy DeLay, the 70-year-old instructor who taught him and many other concert performers. DeLay watched Perlman along with some of her other well-known students, including Shlomo Mintz, Cho-Liang Lin, Mi Dori and Paul Rosenthal. "I think it feels good to have me around, like a rabbit's foot, but they do it all themselves. As everybody does," she said. In Monday's spoof, Perlman tutored a series of mediocre pupils using DeLay's mannerisms and her pet phrases "sugar plum" and "sweetie."

□

The Tate Gallery on Tuesday received a large cash donation that will enable it to pay £2.9 million (about $4.8 million) to buy a major painting by John Constable. The Clore Foundation, using the legacy of Sir Charles Clore, gave the art museum £430,000 toward the purchase of the picture of the opening of Waterloo Bridge in 1817. The painting was offered to the museum by Betty Sheldon, who inherited it from the Massey-Ferguson tractor family. If the appeal had failed the picture would have been auctioned and probably gone abroad. The museum had raised the rest of the money from other donors earlier.

□

Jerzy Urban, the chief Polish government spokesman, on Tuesday criticized the publication of Lech Walesa's autobiography in France and said Poland will not publish the book by the Polish labor leader. Urban ridiculed what he called the "political campaign" surrounding the book's appearance in the West as "funny, just like some of Mr. Walesa's remarks are funny." The book's French-language edition went on sale Thursday.

□

Searchers in Maine found a human bone they say may prove two French aviation pioneers beat Charles Lindbergh across the Atlantic in 1927 — only to die in a crash in Maine. Crews Tuesday found a bone near the spot where the plane, the L'Oiseau Blanc (The White Bird), is believed to have gone down in May 1927, shortly before Charles Lindbergh's historic flight from New York to Paris. The White Bird was a large biplane that left France that May bound for New York. Charles Nungesser, the pilot, and François Coli, the navigator, were seeking the $25,000 prize that Lindbergh collected just 12 days later from a French aeronautical society. Richard Gillespie, director of the group searching for the plane, quoted the medical examiner, Dr. Karl Larsen of East Machias, as saying the bone found Tuesday appeared to be a human tibia, or shin bone. He said the bone was cracked in a way that would indicate a hard shock at or after death. "He said the crack couldn't have happened in life because there was no sign of healing," Gillespie said. "He also said it appeared that the bone was quite old." The group of 10 searchers found the bone as they hunted through dense underbrush in a forest north of Machias. The site is not far from Second Lake, where the searchers believe the two fliers were trying to land after flying nonstop from France in an attempt to reach New York.

□

Emperor Hirohito emerged from his usual seclusion Wednesday to greet thousands of cheering, flag-waving Japanese in Tokyo as he celebrated his 86th birthday and 61st year on the throne. Accompanied by Empress Nagako, 84, and other family members, Hirohito made three 14-minute appearances, down from the usual four because of his age, to greet about 46,000 people.